
研究ノート Research Note

Migration and Remittance in Nepal: A Review of the Push-Pull Factors and Socioeconomic Issues

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Abstract: Migration has long been an important livelihood option for the Nepalese people. In 1815, migration was institutionalized through the recruitment of Gurkha soldiers into the (British) Indian Army. Prior to this, some of the defeated soldiers in the Anglo-Gorkha war sought employment in the army in Lahore. After the 2000s, there was a significant increase in the migration of youths mainly due to global economic liberalization and the unstable political situation in Nepal at the time. At present, remittance contributes to more than a quarter of the country's gross domestic product (GDP). Although remittance was identified as an important reason for the recent decrease in poverty incidence, it was also blamed for increasing inequality. Taking all these factors into consideration, this study briefly assesses the history of migration in Nepal based on a review of the existing literature and views migration from the perspective of push and pull factors. The study analyzes the growing importance of remittance in the national economy as well as in the household economy and follows up with a discussion on the socioeconomic issues related to migration. The study concludes with a discussion on the prospective issues related to migration in Nepal.

Keywords: Migration, pull factor, push factor, socioeconomic

I. Background

Migration, which can be defined as the spatial mobility between one geographical unit and another, has been a part of life throughout the history of human civilization. Delineation of international boundary as well as national administrative division led to differentiation of such migration as either international migration or domestic migration. For instance, government policies to develop underdeveloped regions by attracting people from other regions within the national boundary result in domestic migration. Similarly, this could also be driven by regional differences in the country in terms of several development indicators such as infrastructure. This might be rural-urban, rural-rural, urban-rural or urban-urban migration. Whereas, establishing bilateral relationship with another country to ease the movement and engagement in economic activities facilitates international migration. Obviously, the arrays of push factors in the origin and pull factors in the destination

determine intensity of migration in both cases.

Migration has long been an important source of livelihood for the Nepalese. The first formalized state-involved international migration dates back to 1815, with the Nepalese serving British Crown forces in India. There was a sharp increase in international migration after 1951 when democracy was established in the country (Khatiwada, 2014). It was also around the same time that there was a sharp rise in internal migration specifically from the Hills to Terai, which is still continuing today, mainly due to the control of malaria in Terai as well as increased pressure on natural resource in Hills caused by rapid population growth (Bohra and Massey, 2009). The capital city Kathmandu also remains a major attraction for internal migration. It was in only in 1980s that the confined destination to India for international migration was broadened. An increased labor demand from the booming East Asian economies as well as a construction boom in Gulf countries, coupled with the enactment of Foreign Employment Act of 1985

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increased the option of international migration for prospective Nepalese workers beyond India (Seddon, 2005). Adoption of liberalized economy after restoration of democracy in 1990 facilitated international migration further.

Moreover, internal conflict (Clewett, 2015), decline in industrial sector, specifically garment and carpet industries, and increased number of destination countries opening up their labor market have resulted more international migration. Thus, there is a huge surge in international migration with the total migrants working abroad (excluding India) from merely around two thousand in 1992/93 to around 5.27 million in 2013/14 (DoFE, 2015b). This surge in migration is also reflected by a significant jump in the contribution of remittance to national Gross Domestic Product (GDP) from 0.5 percent in 1990/91 to about 11 percent in 2003/04 and further to estimated 27.7 percent in 2014/15 (MoF, 2015; Shrestha, 2008). With this ever increasing importance of remittance sector in employing Nepalese youth and its contribution to Nepalese GDP, this paper aims to discuss the historical development of migration in Nepal, Nepalese context to push and pull factor, its growing importance in the national economy as well as in the household economy and the socio-economic issues related to migration in Nepal.

II. History of migration in Nepal

The cultural richness of the present day Nepal that consists of 126 castes/ethnic groups and more than 123 linguistic sub-groups (CBS, 2012) can be attributed to historically successive waves of migration from India in the South, East and West, and Tibet in the North (Massey et al., 2010). This cultural richness is the outcome of both aspects of migration; immigration and emigration; however, the scope of this paper is limited to emigration only. Origin of international migration from Nepal, which is related to Transhumance and Trans-Himalayan trade between India, Nepal, Tibet and China, can be traced back as far as 500 BC (Schrader, 1988). Similarly, historical records of Nepalese migration to Bhutan has been found to date back to 1624 when a batch of skilled artisans were sent there after signing a formal document between the rulers of then kingdoms of Gorkha and Bhutan. However, significant out-migration of Nepalese to Bhutan occurred only in the late 1800s to 1900s

whereby the Nepalese settled in the sparsely populated areas of Southern Bhutan mainly adopting cattle-rearing for their livelihoods (Strawn, 1994). Another important wave of migration was reported during the period of unification more than 300 years ago. During the period, mass migration from the unified territory to the neighboring countries took place in order to escape the new State's taxation system, which was often exploitive (DoFE, 2014; The World Bank, 2011; Gurung, 2004). Internal migration also took place during this period, mainly under the compulsory labor services, *Jhara* labor, imposed by the rulers then. *Jhara* labor was a kind of forced and generally unpaid labor in which laborers were frequently required to leave their villages to provide services such as construction of temples, palaces, bridges, forts, etc. in distant communities as well as to transport military and other supplies (Suwal, 2014).

The first instance of the State's involvement in formalizing labor migration through treaties between two governments, however, took place in 1815 AD. Prior to this, there were also the instances that some defeated soldiers had sought employment in the army of the Sikh ruler Ranjit Singh in Lahore in order to avoid facing humiliation at home (Graner and Gurung, 2003). Until today, this tradition is reflected in the name of '*lahure*' for soldiers, which can be translated as 'one who goes to Lahore'. Recently, however, the term '*lahure*' is used to refer to all Nepalese who secure foreign employment (Kiruppallini, 2012; Seddon, 2005). The year 1815 marked the Anglo-Nepal Treaty of Peace and Friendship paving the way for the induction of 3,000 Nepalese soldiers in the British Gorkha Regiment (Uesugi, 2015; DoFE, 2014; Khatiwada, 2014; Bohra and Massey, 2009). This inaugurated a culture of formal labor migration from Nepal, which continues to the present and has broadened now to the British Army, Indian Army and Singapore police *inter alia* (Sijapati and Limbu, 2012). Besides migrating as security personnel, many peasants of Nepalese Hills were also attracted by agricultural programs in the Northeast, such as tea plantation in Darjeeling, and lumbering in Assam and Burma, carried out by the then British colonial regime. The discovery of coal and oil in Northeast further attracted peoples from Nepalese Hills (Sijapati and Limbu, 2012; Subedi, 1991). Most of the migrants during this period were from the Eastern region of

present day Nepal (Hoffman, 2011). Though lesser in numbers, migration also occurred from the Western parts of present day Nepal, which included the recruits in the British Army from the Western districts and labor migration from Mid- and Far-West mainly to Kangra Valley in the Kumaon region of India. The trend of migration from Western Nepal increased rapidly after 1980s (Subedi, 1991).

The population mobility afterwards, both internally and internationally, remained at a virtual standstill for more than a century (Massey et al., 2010). The situation changed with the establishment of democracy in Nepal and successive signing of the Peace and Friendship treaty between The Government of India and Nepal in 1950. The treaty has formalized the free movement of people between the two countries. Along with this, the venturing to industrialized centers such as Delhi, Mumbai and Bangalore after 1950 began to offer better employment prospects for Nepalese in India (Sijapati and Limbu, 2012). This resulted in India being the destination for 93.1 percent of the absent population in 1981 (Khatiwada, 2014). Hence, until the first Foreign Employment Act 1985, labor migration from Nepal was equated with movement to India. This trend still prevails mainly in the Mountains and Hills of Mid-West and Far-West, most of them being labor migrants to India, mainly Delhi and other cities in Uttar Pradesh and Uttarakhand (Gurung, 2008; Bhattarai, 2007; Thieme, 2006).

It was also during the 1950s that the internal migration in Nepal got momentum. The period marked a rapid population growth in the hill and mountain regions, causing food shortages that resulted into less productive land being put into cultivation. This led to deforestation and the extension of farming to marginal land, thereby threatening the stability of fragile mountain ecosystem (Bista, 2003; Blaike et al., 1980). Responding to this threat, the government of Nepal focused on the resettlement policy during its first (1956-61AD) and second (1962-65AD) development plans. This policy aimed to redistribute the population from the densely populated Hills region to the sparsely populated Terai region, thereby lifting the population pressure in the Hills and increase agricultural production by expanding agricultural areas in virgin lands of the Terai by clearing the forests (Suwal, 2014; Aryal, 2014). During the same period Nepal experienced devastating natural disasters,

mainly landslides and floods most often triggered by increased pressure on marginal land that claimed a great loss of life and resources. Thus, the resettlement programs driven by resettlement policy combined with natural disasters, construction of East-West highway, and the connection of the highway up North linking Terai with the capital city, Kathmandu after 1980 resulted in a burst of internal migration from the Hills to the Terai (Suwal, 2014; Gurung, 1980). The trend is still continuing till date.

The endorsement of the Foreign Employment Act 1985 and the increased labor demand from the booming East Asian economies as well as the Gulf countries further facilitated international migration. The momentum was accelerated after restoration of democracy in 1990 and successive liberalization of the economy, and is reaching its peak in the recent years (DoFE, 2014; Bohra and Massey, 2009). The opening up of the Nepalese market, including the labor market, to the rest of the world, the internal conflict led by the Maoist insurgency (1996 – 2006), economic stagflation of the country, mainly due to political instability caused more to migrate abroad, especially in a search of better employment opportunities. During the period between 1993 and 2013, Nepal has experienced the negative annual GDP growth rate of 0.041 percent (The World Bank, 2015a). Broadening the geographical space as well as involvement in the different nature of jobs has resulted in a significant jump in the number of migrants since 1990s. The number of absentee population has raised from 3.4 percent in 1991 to 7.3 percent in 2011 with at least one member of the household being absent or living out of the country (Khatiwada, 2014). This also saw the significant shift in preference for the destination. The series of census surveys since 1981 suggest that the proportion of the absent population favoring India as a destination has significantly declined from 93.1 percent in 1981 to 37.6 percent in 2011 though the absolute number had nearly doubled during this period. Countries other than India now remain the destination for 62.4 percent of the population. Within this ‘Other countries’ category Middle East countries, ASEAN countries, European countries, and USA & Canada are able to attract the highest proportion of absent population, 60.2, 20.8, 4.9 and 4 percent, respectively (Khatiwada, 2014). For those preferring to work in ‘Other countries’

category, it is required to issue labor permits from the Department of Foreign Employment. The department reported that in the period between 1994/95 and 2013/14 the figure of foreign employment bound workers has already reached 3.44 million. The period, especially till 2010/11, has experienced the exponential growth in foreign labor migration other than India (Figure 1). Between this period, Malaysia is the most important destination accommodating 34 percent of these foreign employment bound workers followed by Qatar (26 percent), Saudi Arabia (20 percent), and U.A.E (12 percent) (Figure 2). Most of the migrants in Malaysia and Gulf countries are from Western and Eastern regions. Developed countries like the USA, European countries, and Australia are often destinations for those from urban centers of Eastern, Central and Western regions (The

World Bank, 2011).

III. Migration in Nepal from the perspective of push and pull factors

As stated before, origin of international migration in Nepal can be linked with the transhumance and Trans-Himalayan trade between India, Nepal, Tibet and China. Hence, during this period migration occurred mainly because of trade. Later, however, during the period of unification migration was largely dictated by an exploitative taxation system imposed by the state (Gurung, 2004; Regmi, 1999). Similarly, compulsory labor services to the state, *Jhara* labor, was the main reason behind the internal migration (Suwal, 2014). Thus, during the period of unification both the internal as well as international migration was dictated by push

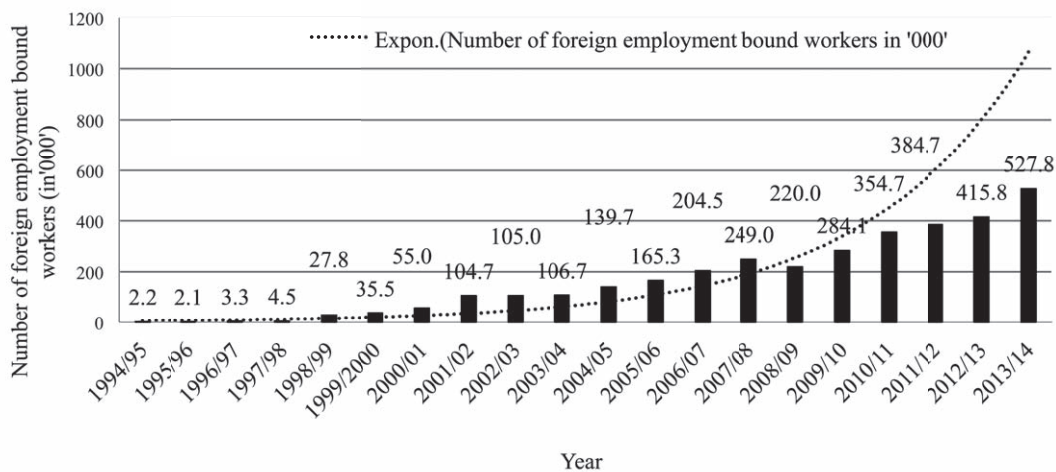


Figure 1 Number of officially registered foreign employment bound workers in Nepal (1994/95-2013/14)

Source: DoFE, 2015a; DoFE, 2015b

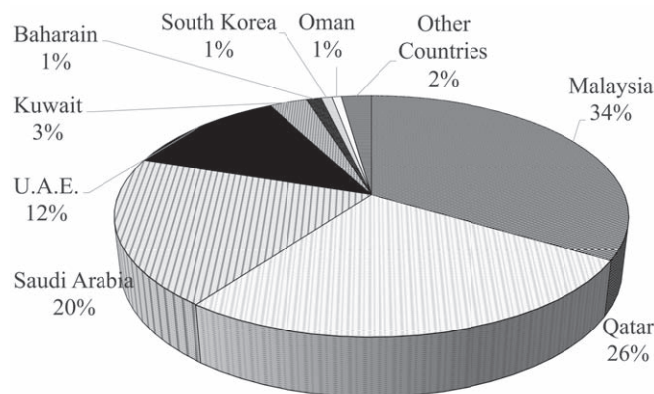


Figure 2 Share of the foreign employment bound workers between 1994/95 and 2013/14 by country of destination

Source: DoFE, 2015a; DoFE, 2015b

factors i.e., the state's policy to exploit the resources from general citizens to fund the unification process and or to meet the demand of royal families.

The similar trends of push factors driven migration was further intensified after the signing of the Anglo-Nepal Treaty of Peace and Friendship. Forceful recruitment by the then British colonial regime in cooperation with then rulers of Nepal was intensified to meet the need of warrior necessary for extending their territory as well as to suppress any independence movement within their colonized territory. Then Nepali regime assisted the British colonial regime to suppress the Mutiny War, India's first war of independence, in 1857 by providing 12,000 Nepalese Army to them in 1861. Similarly, it is reported that over 200,000 country's male youths were recruited by the British East India Company, then British colonial regime, during the period of the First World War (Khatiwada, 2014; Kansakar, 2003). The number reached an all-time high of around 250,000 soldiers during the Second World War (Uesugi, 2015).

Things changed a bit after the introduction of new agricultural program by the British colonial regime. The program along with the discovery of coal and oil in the Northeast were able to attract people from the Hills of Nepal. In this case, the prospect of higher incomes, better educational facilities for their children and granting of land to Nepalese migrants through the establishment of Gorkha settlements served as pull factors for migrants from the Hills of Nepal. At the same time, bleak or non-existent employment opportunity in the Hills coupled with the high taxation and exploitation by the local elites leading them into indebtedness were strong push factors (Sijapati and Limbu, 2012; Subedi, 1991).

An ease in movement to India, and vice versa, provisioned in the Peace and Friendship Treaty (1950) accompanied by the venturing of industrialized centers in India (after 1950) creating an increased labor demand further acted as a pull factor for Nepalese migrants to move in India from the Nepalese Hills (Sijapati and Limbu, 2012). Not much changed situation, especially in terms of employment opportunities, still played a part as the push factor. Moreover, increased pressure in land resources that threatened the stability of fragile mountain ecosystem resulting in the food shortages and frequent

occurrence of natural disasters emerged as another important push factor for people to leave the Nepalese Hills (Blaike et al., 1980). Environmental changes like declining land cover, land productivity, and access to firewood has also been identified as one of the many factors promoting out-migration in the Terai plains (Massey et al., 2010). Moving to the Terai region within Nepal emerged as another option for these migrants after the government adopted the resettlement policy during the first and second development plan period. However, the momentum of the internal migration took place only after eradication of malaria and construction of Highway connecting East-West in Terai, which was further linked to the capital city (Massey et al., 2010). Hence, demand of labor for clearing forest, rich virgin land, flat terrain and the promises of new opportunities by then government in Terai served as pull factors to attract inhabitants of Nepalese Hills during the 1960s, 70s and early 80s. This has caused a significant increase in the population of Terai. The share of Terai population in the total population has increased from 35.2 percent in 1952/54 to 43.6 percent in 1981 and consequently 50.27 percent in 2011 (CBS, 2012; MoHP, 2011). Thus the issue of international migration in the later decades no longer remains migration from Hills alone.

The Labor Act, 1985 has facilitated the migration of Nepalese workers to about a dozen specified countries beyond India. Migration abroad for work was further eased by the government of Nepal after restoration of democracy in 1990 and successive embracement of liberal economy since 1993. This ease in the migration amidst not much change in socio-economic situation in the country attracted the youth to the booming South-East Asian economies as well as the Gulf countries where the demand for labor (mostly low- and medium-skilled labor) was increasing. The difference in average earning between India and these countries, which in Table 1 is categorized as 'Other countries', served as the major pull factor to migrate to these countries. Table 1 clearly shows the diversion in average remittance received between within Nepal and outside Nepal in last two decades. Average remittance received from outside Nepal was slightly more than two times higher compared to the average remittance from within Nepal in 1995/96, which in 2010/11 is 6 times higher compared to average remittance from within Nepal. Even within the

destination outside Nepal, it can be seen that the average remittance from ‘Other countries’ is significantly higher than that from India. The difference is ever increasing. It has increased from NRs. 68,651 in 1995/96 to 121,700 in 2010/11 (Table 1). Country specific differences in average amount of remittances are as follows: households with a migrant in ‘other’ developed countries receive annual remittance of NRs. 311,000, followed by Gulf (NRs. 163,000), Malaysia (NRs. 113,000), and India (NRs. 62,000) (The World Bank, 2011). Hence, this difference in average remittance received from different source is playing a crucial role in attracting Nepalese youth to work overseas, especially beyond India.

It can also be observed that during this period average remittance from within Nepal increased by less than twofold compared to nearly fivefold increase in average remittance outside Nepal. This suggests that economic growth in Nepal often marred by political instability is not able to follow the pace of the growth in the receiving countries (Joshi et al., 2013). The political instability has brought a standstill in major economic sectors like tourism and industry resulting in very limited employment opportunities within Nepal, which is the prime cause for the economy to suffer stagflation (Joshi, 2011). The employment rate of the country is estimated to be 42 percent in 2004 and 46 percent in 2008 (CIA, 2015). The lack of employment opportunities in both Hills and Terai coupled with persistent poverty, increased pressure on natural resources and deteriorating agricultural productivity serves as a strong push factor for the people to leave their place (United Nations, 2013; Sijapati and Limbu, 2012; Joshi et al., 2010; Blaike et al., 1980). In addition, insecurity and lack of investment environment during the Maoist Insurgency during 1996-2006 also resulted in a sudden and unanticipated outflow of a large number of Nepalese for foreign employment.

Nearly 200,000 people were displaced as a direct result of the insurgency of which three fourth chose to move outside the country (Clewett, 2015).

The official figures suggest that the growth rate of labor migration, i.e., number of foreign employment bound workers, is higher than the exponential growth rate during the period between 2003/04 and 2013/14 (Figure 1). The growth rate continued till the first constituent assembly election in 2008. The situation still prevails marred by the political transition even in the recent years that has caused the volatile security situation in the country. The weak security situation and thereby poor investment environment has also served as the strong push factor for migration. In addition, persistent poverty leading to indebtedness, lack of employment opportunities and deteriorating agricultural productivity is expected to continue to act as the push factors of migration. On the other hand the demand for foreign workers, especially the low-skilled and unskilled ones, is the strong pull factor in recipient countries, which is also likely to persist (Sijapati et al., 2015).

Despite this huge growth in international migration, internal migration still plays a significant role in providing employment, generating livelihoods. Internal migration remains as a survival strategy of Mountain and Hills people to cope with the hardships of their lives arising from low agricultural productivity, lack of employment opportunity and poor infrastructural development (KC, 2003). In 2010/11, 57.2 percent of the mobility took place within Nepal (CBS, 2011a). Of this internal migration, 59.2 percent were rural-rural migration followed by rural-urban migration (33.5 percent), urban-urban migration (4.5 percent) and urban-rural migration (2.9 percent). Family reasons including marriage and movement with the household head is the main reason for internal migration accounting for 44 percent of this mobility. Employment, education and

Table 1 Average remittance (NRs.) from different destinations

Year	Urban Nepal	Rural Nepal	India	Other countries	Overall	Within Nepal	Outside Nepal
1995/96	15,294	4,586	10,532	79,183	12,090	9,462	21,094
2003/04	15,198	12,198	18,414	95,180	27,907	13,656	45,183
2010/11	25,454	12,127	29,499	151,199	58,335	16,758	100,385

Note: Other countries, mainly comprises of Malaysia, Saudi Arabia, Qatar, UAE, Kuwait, Baharian, South Korea, Oman, Japan, USA, Canada, Australia, European countries and etc.

Source: CBS, 2011a; CBS, 2004; CBS, 1997.

insecurity are other reasons for the mobility (Suwal, 2014). NIDS (2007) estimated up to 100,000 people displaced internally by the insecurity and threats posed by the Maoist insurgency to be hosted by Kathmandu alone. As of February 2015, it is estimated that approximately 50,000 people still remained internally displaced as a direct result of the insecurity or the threats posed during the period of Maoist insurgency (Clewett, 2015). The rapid growth in migration for foreign employment in the recent decades has also stimulated internal migration in Nepal. When a male member migrates abroad for work, his spouse migrates from their place for a better education of their children as well as a better life style. Persistent poverty, inequality in income distribution, high prevalence of unemployment or seasonal unemployment, difficult livelihoods posed by geographic harshness, increased pressure on natural resources, low level of infrastructural development, decreasing agricultural productivity leading to food insecurity, and volatile security situation during political instability (Maoist insurgency 1996-2006 and political transitions thereafter) are the major push factors prevalent in the sending community. Whereas, expanded employment opportunities in the informal sectors, better infrastructure and economic opportunities served as pull factors in recipient regions within the country (Clewett, 2015; Suwal, 2014; Joshi et al., 2013; United Nations, 2013; Sijapati and Limbu, 2012; The World Bank, 2011; Massey et al., 2010; Joshi et al., 2010; Graner and Gurung, 2003; Bista, 2003; Blaike et al., 1980).

IV. Importance of remittance in Nepalese economy

Though remittance has long been an important source of livelihood in Nepal, its importance in present days has even increased. This is indicated by the significant jump in the proportion of absent population. The proportion of absent households has significantly increased from 1.4 percent in 1942 to 2.6 percent in 1981, which reached 7.3 percent in 2011 (Khatiwada, 2014). Similarly, the proportion of the households receiving remittances increased from 23.4 percent in 1995/96 to 31.9 percent in 2003/04, which further reached 55.8 percent in 2010/11 (CBS, 2011a). The share of remittances in total household income has also increased from 26.6 percent to 35.4 percent between 1995/96 and 2003/04. The proportion, however, has

declined to 30.9 percent in 2010/11. The global economic recession and weakening of US dollar might have played a part in this decline. This period has experienced global financial crisis and Euro zone sovereign debt crisis affecting the demand for labor in the Middle East (Tuladhar et al., 2014). The exchange rate of the US dollar was NRs. 74.75 equivalent to 1 USD in 2003/04, which was devalued to NRs. 72.45 in 2010/11 (NRB, 2015).

On an average, everyday around 1,500 Nepalese left Nepal for foreign employment through formal channel issuing the labor permit in 2013/14 (DoFE, 2015b). The number of migrants issuing the labor permit for international employments reached 3.4 million between 1993/94 and 2013/14, the growth rate of which till 2010/11 was exponential and still high thereafter (Figure 1). With this ever increasing number of migrants working abroad, remittance income has emerged as one of the most important components of the Nepalese economy. Remittance received by the country has reached 5.589 billion USD in 2013, which otherwise was merely 0.055 billion USD in 1993 (Figure 3). Nepal has experienced exponential growth in the amount of remittance received between 1993 and 2011. These figures just represent the amount of remittance entered in the economy through official channels such as money transfers and banks. Around 60 percent of migrants abroad is reported to use these official channels. Rest uses unofficial channels such as hand-carry remittances personally, through friends and relatives, and *hundi*¹⁾. Proper accounting of these remittances could add an additional 5 percent in total GDP (The World Bank, 2011).

In consistence with the increase in remittance, its share in total GDP is also increasing. The World Bank in 2011 reported Nepal to become the largest remittance recipient country, among the countries with the population of 10 million or more, in terms of GDP share in the world (The World Bank, 2011). In 2013, the share of remittances in Nepal's GDP reached 29 percent (Figure 3). This share stands as the third largest in the world after Tajikistan (49.6 percent) and Kyrgyz Republic (31.1 percent). This is a graduation from being sixth highest recipient in the world, as a share of GDP, in 2011 (The World Bank, 2015c).

The open border between Nepal and India coupled

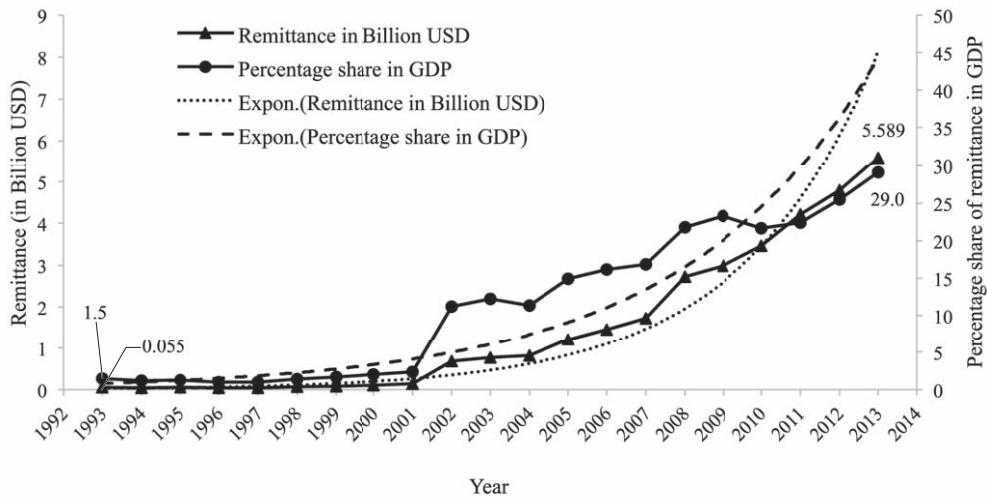


Figure 3 Personal remittance received by Nepalese economy and its share in GDP

Source: The World Bank, 2015b; The World Bank, 2015c.

with the Peace and Friendship treaty allows the free cross-border movement between the two countries. Along with this proximity, development of social networks between existing and former migrants in their hometown and Nepalese’s keen knowledge of the Indian economy has facilitated the migration of Nepalese to India. However, the official figure of migration to India has largely been unreported (Khatiwada, 2014). A study in 1997 has reported that as many as 750,000 Nepalese was working in India’s private sector; as high as one fifth of them (all female) were employed in the sex industry across India (Seddon, 2005). The number, including seasonal migrant workers, is now estimated to be between 1.5-3.0 million. Nepal Migration Survey 2009 has reported that 41 percent of the foreign worker migrant, accounting 0.867 million, were in India for work at the time of the survey (The World Bank, 2011). Migration to India has been a common livelihood strategy in the Mid- and Far-Western regions of Nepal, where poverty and food insecurity is persistent and intense (Joshi, 2011; Thieme, 2006). Out of six districts in the Far-Western region having data, all of them has more than 30 percent households having migrants in India. The Far-Western region has the highest probability (38.8 percent) of households having migrant in India followed by the Mid-Western (19.1 percent) and Western (18.1 percent) regions (The World Bank, 2011). Because of the low migration cost associated with free movement not requiring passport, visa and employment permit, no commission to manpower agent as well as substantially

lower transportation cost, India remains an important destination for the poorer migrants often as a distress migration (Joshi, 2011; The World Bank, 2011). World Bank (2011) reported the difference in the average cost of migrating to Malaysia and India to be NRs. 104,450. The average cost of migrating to Malaysia for work is NRs. 109,700, whereas that is India is merely NRs. 5,250.

With this growing number of migrants and the volume of remittances, their far-reaching impact/role in Nepal’s economy, including its ongoing structural transformation has been highlighted quite often in the recent years. Remittances served as a foundation for maintaining macroeconomic stability, keeping the economy afloat, even when the country’s major economic indicators were not favorable mainly due to political instability and poor investment environment. Remittance has played a vital role in achieving macroeconomic stability; saving the country from balance of payment crisis; relaxing the foreign exchange constraint of the country; improving the ability to handle debt service more comfortably; promoting steady growth of tax revenues; providing leverage to lessen Nepal’s dependency on foreign aid; and filling the saving-investment gap (Tuladhar et al., 2014; Sapkota, 2013; Shrestha, 2008). Remittance has also been instrumental in driving up service sector activities, which has helped to maintain an average GDP growth rate of around 4 percent over the past decades, despite the fledgling industrial sector and the dwindling performance of

agriculture (ADB, 2013).

Remittance is not only helping in maintaining macroeconomic stability, it also has shown some positive impact on microeconomic indicators. At the household level, remittance helps to smoothen consumption and also increase investment in human and physical assets (Acharya and Leao-Gonzalez, 2014; Graner, 2009-2010; Shrestha, 2008). Hence, remittance was highly acknowledged for its contribution in poverty reduction between 1995/96 and 2003/04 even during the period when the Maoist Insurgency was escalated at its peak and most of the development intervention in vast rural areas had to be terminated due to the security threats posed by the insurgency. The period experienced around 11% fall in poverty incidence (Joshi et al., 2010). Remittance accounted for more than half of this reduction in poverty between 1995/96 and 2003/04 (The World Bank, 2006). Similarly, the decrease in multidimensional poverty from 64.7 percent in 2006 to 44.4 percent in 2011 has been attributed mostly to the improved asset ownership, access to electricity and better nutrition brought about by increased remittance inflows (OPHI, 2013). Devkota (2014) and The World Bank (2011) also estimated contribution of remittances in poverty reduction in recent years. Moreover, these reductions have been achieved amidst decline in the Gini coefficient from 0.41 in 2003/04 to 0.33 in 2010/11, which might imply that inequality does not necessarily increase with rise in remittance (CBS, 2011b). In addition, migration has been instrumental in absorbing ever increasing working-age population of the country, which has increased by 2.7 million between 2001 and 2011, and further estimated to increase by 5 million by 2025. Remittance is thereby helping in checking domestic un- and under-employment in the country where job creation has been limited (Sijapati et al., 2015; The World Bank, 2011). Hence, remittance has been playing an important role for economic stability as well as social stability in the country.

V. Socioeconomic issues related with migration in Nepal

Labor migration is hailed as an important income strategy by demographers and some economists, the importance of which in national accounts as well as household economy is discussed in Section 4 of this

paper. However, migration also involves quite a number of critical issues both at national as well as household level.

At the macro level some of the economic indicators have already started showing the induction of Dutch disease effects in the Nepalese economy mainly due to not so effective strategic plans and programs for mainstreaming the incoming remittance to financial system for their productive use (Sapkota, 2013; The World Bank, 2011). The latest household survey showed that about 79 percent of total remittances received by the household are used for daily consumption while 7 percent is used for loan repayment. A similar trend of the remittance used for daily consumption and loan repayment were reported even during 1990s (Seddon et al., 1999). Whereas the use of remittances for education and capital formation, which can be considered as productive use, is only around 4 percent and 2 percent, respectively (CBS, 2011a). Nepal has experienced the shrinking of the tradable sector, thereby fall in GDP shares of export and manufacturing value-addition. Similarly, because of remittance led increase in consumption, there is a rise in import leading to the appreciation in the real exchange rate, which consequently decreases competitiveness of domestic product in external market (Sapkota, 2013; The World Bank, 2011). Besides, remittance is also to be blamed for the vicious policy cycle. Migrants are found to be less eager to hold the government accountable for good economic policy due to which the government does not feel pressed by public opinion to undertake policy reform measures to address policy weakness. This has resulted in a poor investment climate leading to low investment and limited job creation. Consequently, more people are moving outside the country in search of a job and there is a continuous increase in remittance inflows (Sapkota, 2013; The World Bank, 2011). Referring to this fact, it can be said that Nepal is trapped in 'the vicious policy cycle of large remittance' (The World Bank, 2011).

Another important issue related with the increased labor migration is the imbalance in local labor market. Such imbalance was pertinent even during the earlier wave of migration, especially war driven migration. It was reported that the recruitment of the Gurkhas in the British and Nepalese armies during the World War I to fight for the British colonial regime was quite intense.

Due to this it was difficult to get able-bodied males in the village of the martial races (Magars and Gurungs) during the war, which resulted in the deterioration of agriculture and food supply in the Hills as well as losses of government revenue from land (Northey and Morris, 1928 cited by Kansakar, 2003). Similar things happened during the World War II as well and recruitment drive was more intense as it went beyond the martial races to the other races such as Newar, Tamang, Sunuwar, Dotiyal, Bahun, Rai, Limbu etc. as well. Thus, the shortage of able-bodied males and deterioration of agriculture and food supply was felt across the country and among all the caste/ethnic groups (Joshi, 1957, cited in Kansakar, 2003).

The imbalance in labor is becoming more persistent with the increase in labor migration in recent years (Gurung, 2004). This is more visible in agriculture sector, which has been adversely affected due to induced labor shortage brought by international labor migration. Agricultural yield has been reported to be declining (Tuladhar et al., 2014; Maharjan et al., 2013). Similarly, the shortage of labor triggered by migration has increased the burden of work for those left behind. Women are specially suffering from the increased burden of work. Besides their daily household chores such as looking after children and the elderly, preparing food, collection of fuelwood and fodder from the forest, washing clothes and etc., they have to take additional responsibilities in farming, which otherwise has long been taken care by the male members. This has led to feminization in agriculture. Given the amount of manual labor demanded by subsistence agriculture, feminization is considered to be inappropriate and unfriendly to women leading to land fallows and lowered productivity of land (Tamang et al., 2014; Maharjan et al., 2013). This will have far reaching implication on the sustainability of food security at the national level, as it can be attributed to shifting of Nepal from net food exporter till 1980s to a net food importer since then (Joshi, 2011).

Foreign labor migration is also often associated with the trafficking of women and migration of child labor across international borders (especially to India) (Gurung, 2004). The trend of Nepalese going for overseas employment using fake documents and through third countries, especially India, is growing. This fact is also confirmed by Datta (2005) that India is both a

receiving and transit country for trafficking Nepalese women to India and further to Saudi Arabia and Europe. Such migrants have to face a very high risk of becoming victims of human trafficking, as they are beyond the oversight of the government.

With only around 6 percent of the international labor migrants having a college education (graduates and post graduates) and the rest having lower levels of education, the vast majority of these migrants have to involve themselves in the activities popularly known as the 4Ds i.e., Difficult, Dangerous, Dirty and Demeaning (Sijapati et al., 2015; Khatiwada, 2014). This low level of education is also another reason for them being easily cheated. The Department of Foreign Employment has to deal with the majority of the complaints related to the difference between the amount of salary mentioned in the contract signed in Nepal and the amount they were paid in the destination country. Similarly, unlike what they were briefed, they have to compromise with the working and living conditions in the destination country, which has been reported to be very hazardous, causing diseases, workplace injuries and deaths to be common (Sijapati and Limbu, 2012). The reported case of death in destination countries is in rise every year (DoFE, 2014). Considering the huge surge in the number of migrants itself, the rise seems to be natural, but the issues of harsh working condition related death due to exploitation received international attention when ‘The Guardian’ covered the news in 2014 related to the death of Qatar’s 22 World Cup workers followed by the series of news under column entitled ‘Modern-day slavery in focus + Qatar’ (The Guardian, 2015)

VI. Summary and conclusion

Migration from Nepal to other countries has a long history, even older than the history of modern day Nepal. Initially, it was driven by trade and transhumance that took place between the people of the Kathmandu Valley and people from Tibet and China. Later, the more formalized migration took place after the signing of the Anglo-Nepal Treaty of Peace and Friendship, which paved the way for the British Colonial regime to recruit Nepalese youth to be used either to protect interest of geographical expansion or to suppress any independence movement within the territory of their colonial regime. The migration at that time was more push factor driven

as they were forced to join the British army or to avoid State's taxation system, which was often exploitative. The recruitment drive became more intense during the period of war causing difficulties to find able bodied male members in the village thereby having an adverse impact on agriculture production and food security. After the introduction of new agricultural program along with special settlement plans for Nepalese by the British colonial regime and exploration of mineral resources, pull factors also has played a role in the migration of Nepalese youths to India. During this period, however, most of the migration took place from the Eastern regions, which later expanded to the Western regions as well.

The similar trends continued even after India got independence, and even intensified after signing of Indo-Nepal Peace and Friendship Treaty in 1950, which formalized the free movement for the people between two countries. However, during this period increased population pressures in the Hills, causing degradation of natural resources and food shortages emerged as an important push factor, whereas venturing to industrialized centers demanding labors emerged as an important pull factor to attract Nepalese youth from Hills to these regions of India. The trend continued till 1985, hence labor migration from Nepal till then was equated with movement to India, which still prevails in the regions like Mid-West and Far-West. It is also during the same period the resettlement plan of the Nepalese government in Terai through forest clearing and malaria eradication has played as an important pull factor to attract people in the Terai. Similarly, rich virgin land, flat terrain and the promises of new opportunities through the development of infrastructures were able to attract inhabitants from the Mountain and Hills. As a result, the share of total population in Terai exceeded 50 percent, though the area coverage is only 23 percent of the total area.

Promulgation of Labor Act, 1985, successive reestablishment of democracy in 1990, liberalization in 1993, decentralization of the authority to issue passports in all districts, the Maoist insurgency in 1996 - 2006 added another dimension in migration from Nepal. The opening of markets for Nepalese labor force (predominantly semi-skilled and unskilled) in the international labor market and huge differences in wages

emerged as an important pull factor to attract Nepalese labor to other destination countries, specifically Malaysia, Qatar and Saudi Arabia. Similarly, stagnation in Nepalese economy that somehow failed to create investment environment and jobs, decreased agricultural productivity and increased security threats *inter alia* remains a strong push factor that compelled Nepalese youth to leave the country. This has resulted in a huge upsurge in the number of migrants moving overseas (official figures exclude the migration to India) and remittance inflows in Nepal. This has contributed much in sustaining national economy even when macroeconomic indicators were critical. Similarly, at the household level, it has contributed in smoothening consumption and reducing poverty.

Despite this positivity of migration and remittance there are some urgent issues which need to be dealt in the short-run if not immediately. Strategic plans and programs for mainstreaming the incoming remittance to financial system for their productive use is the urgent need in order to avoid any possibility of the country's economy to suffer the Dutch disease. In this regard, intensive research is also necessary to understand the household behavior to attract remittance money in productive investment. Similarly, the adverse impact on agriculture due to labor shortage and feminization in agriculture caused by migration need to be adjusted by policy reform in agriculture. This also demands research on how feminization has been impacting agriculture and what interventions are needed. Besides, the wellbeing of migrants and their rights in destination countries needs to be addressed adequately.

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[End Note]

1) *Hundi* is a traditional system of money transfer in which individuals give money to an agent, who instructs his/her associate back home to deliver the money to the concerned individual referred by the remitter. It is considered to be efficient, in the sense that it offers more favorable exchange rate than the banks as well as the money can be delivered quicker than bank. However, the money remitted is unaccounted in the national account, and it is largely based on the trust and good faith between the senders and *hundi wallah*. Though illegal in Nepal, this practice is still very common.

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