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Remittance Received by Households Varies by Migrant's Destination¹

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Abstract. This study explored whether a household's receipt of remittances as well as the amount of remittances received varies with place or country of work of the migrant member of the family. Using household level data from Chitwan Valley in Nepal, the study shows that both the receipt as well as the amount of remittances received by a

household depends on the place of work of the migrant. Households received higher amount of remittances from countries with high earning potentials (such as the Middle East, East or Southeast Asia, United States, Australia and Europe), when compared to domestic migrants or those to India.

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Introduction. In this research note, I examined the remittances received by different households from migrant members of the family, using data from western Chitwan. Remittance receipt in this case, is defined as money, goods or gifts, received by a household from migrants either working in Nepal or abroad. More recently, migration has been a *rite of passage*², as well as a matter of social status and prestige for individuals (Thieme & Wyss, 2005). Over 1,500 Nepalese move outside Nepal everyday (Kern & Muller-Boker, 2015).

Destination specific variation in the amount of remittance received by households may further deepen income inequality among migrant households.

¹ For details please refer to: Bhandari, Prem. 2016. "Remittance Receipt by Households in Rural Nepal: Does Migrant's Destination Make a Difference?" *Dhaulagiri Journal of Sociology and Anthropology*, 10, 1-35.

² A ritual associated with a change of status (such as marriage, illness, or death) for an individual (Merriam-Webster's Dictionary).

Previous migration research in Nepal primarily focused on the economic and non-economic causes of out-migration, (Bhandari, 2004, Bhandari & Ghimire, 2016; Bohora-Mishra & Massey, 2011). Other studies examined the earning potential of migrants in various destinations and remittance transfers (Hoermann & Kollmair, 2009; Seddon, Adhikari & Gurung, 2002; Sharma & Gurung, 2009; Williams et al. 2012). Thieme and Wyss (2005) explored migration patterns and remittance transfer using data from western Nepal. Williams et al. (2012) provided insights into the lives, work, values, beliefs, behaviors and intentions of Nepali migrants living in the Gulf Cooperation Council (GCC) countries. Seddon, Gurung and Adhikari (1998) provided descriptive insights on destination specific migration, and the remittances. These studies report that the amount of remittances varied by the migrant's destination.

While these studies make important contributions to the field, they do not examine destination specific remittances received by households. This research looked at this aspect through these questions: *Does a household's receipt of remittances vary by the destination of the migrant? If yes, does the extent to which the amount of remittances is received vary by destinations?*

Nepali Migration, Remittances and Destination Specific Hypothesis

Nepal has a long history of migration. International labor migration formally began in 1815 AD with the recruitment of Nepali youth in The British Brigade of Gurkha (Thieme & Wyss, 2005). Recent estimates suggest that there may be as many as three million Nepalese, or about 10 percent of the total population, working abroad (Government of Nepal, 2014). Undocumented migration is also very high, but difficult to estimate in numbers.

Nepali migrants are distributed worldwide. In 2013/14, Nepalis were working in 131 countries (Government of Nepal, 2014). Estimates show that of the total 2.1 million Nepali work migrants, 41 percent were in India, 38 percent in the Middle Eastern Gulf countries, 12 percent in Malaysia and 8.7 percent in other developed countries (World Bank, 2011). In 2009, countries excluding India, Malaysia, Saudi Arab, Qatar, and United Arab Emirates accounted for nearly 85 percent of

international migrants (Ozaki, 2012). Earning potential of migrants varies by destinations. Seddon, Gurung & Adhikari (1998) report that migration to the Middle Eastern countries have relatively better earnings compared to India or Nepal but less earnings compared to other destinations such as America, Australia, the United Kingdom, Japan, Malaysia, South Korea, and Thailand.

The volume of remittances is also increasing over time. It is reported that 56 percent of the households in Nepal receive remittances (Central Bureau of Statistics, 2011). On average, the income transfer in the form of remittances is Rs 80,436 (~US\$ 1,110) per year (in nominal terms) per recipient household. In 2014/15, remittance was the third (17.61%) most important source of a household's monthly income after salary, wages, allowance and pension (30.26%) and business income (24.43%) (Nepal Rastra Bank, 2016). Remittances from out-migration accounted for 29 percent of GDP (World Bank, 2016). This account does not capture the remittances through informal channels, however. In 2014, Nepal stands as the third largest remittance recipient in its contribution to GDP in the world (World Bank, 2016).

Does the amount of remittances received by a household vary by a migrant's place of destination?

There are three arguments that explain whether a migrant will remit or not: altruism, self-interest, and insurance and risk sharing (Agarwal & Horowitz, 2002; Arun & Ulku, 2011; ZaiLiang & Ma, 2013; Ecer & Tompkins, 2013). It is assumed that migrants send remittances for the well-being of household members who stay back home (altruism motive) (ZaiLiang & Ma, 2013). Interest of returning back home could also be a reason to continue maintaining family ties. The third one is the insurance and risk sharing also termed as the contractual agreement. According to Arun & Ulku (2011), this is basically a mutual agreement between the migrant and their family members that they will help each other in difficult times (risk sharing). The agreement could be to pay back the cost of migration or education incurred by migrant's family. These motives may overlap.

Although this study does not intend to test these arguments, I empirically investigated whether one remits or not and the amount of remittances sent depends on migrant's earning (Arun & Ulku, 2011),

which may vary by earning potentials of destinations. Thus, I hypothesized that:

- (a) *Net of other factors, households with migrants in destinations with high earning potentials repeat from above will be more likely to report that they received remittances from migrants compared to those who are in destinations with low earning potentials (e.g., Nepal); and*
- (b) *Net of other factors, households with migrants in destinations with high earning potentials will report higher amount of remittances received from migrants than those who are in countries with low earning potentials (e.g., Nepal).*

Data, Measures and Analysis

For this study, I used the data collected in 2013, from 30 randomly selected neighborhoods in Chitwan valley³. A total of 394 households were enumerated, of them, 187 (47%) households had at least one migrant away from home for most of the time in the past six months. A face-to-face interview was conducted to collect the data using a remittance use calendar⁴.

Two outcomes were examined: (i) *receipt of remittances* - that measures whether a household received remittances (coded 1) or not (coded 0) from a migrant; and (ii) the *amount of remittances received* by a household from each migrant (the amount of months-adjusted remittance, natural log). Migrant's destination reported by a household was the primary explanatory measure that was grouped into five categories: (a) outside Chitwan in Nepal, (b) India, (c) Middle East, (d) Other Asian countries, and (e) America, Australia and Europe. Descriptive results were calculated and multivariate multilevel (binary logistic and linear (Ordinary Least Square, OLS technique) regression models were estimated depending upon the nature of outcome measures.

Findings

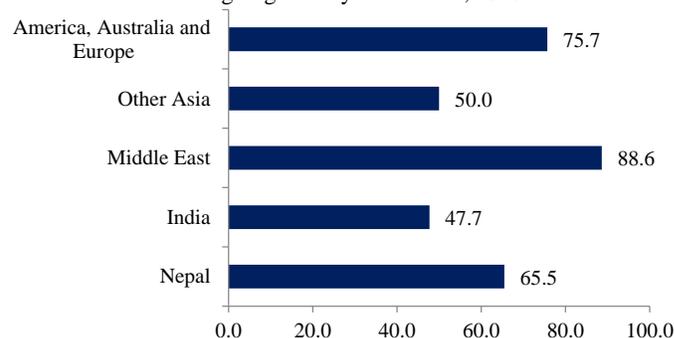
Migrants by destination: Of the total migrants (n=283 from 185 households), 29 percent were in Nepal, while 71 percent were outside Nepal. Even from such a small sample of households, migrants were distributed in 20 different

countries. Of the total, 33 percent migrants were in the Middle East, 17 percent in Other Asian countries (Malaysia, Japan, South Korea and Thailand), 12 percent in India and 10 percent in America, Australia and Europe.

Remittance received by households: Of the total migrant households (n=185), 75 percent (n=139) of them reported that they received remittances from migrants in the past 12 months. Of the total 283 individual migrants, 150 (53% of the total) of them remitted.

Household report of remittance received varied by migrant's destination (Fig 1). Households received remittances from 89 percent of the migrants who were working in the Middle East followed by those who were in America, Australia and Europe (76%). On the other hand, households received remittances from

Fig. 1. Households (%) that received remittances from working migrants by destination, 2013.



fewer migrants who were working in other countries in Asia (50%) and India (48%).

Amount of remittance received by households: On average, a household received NRs 150,562⁵ (US\$1,505) in a year (NRs 12,547 or US\$125 per month). Among remittance receiving households, the average amount received was NRs 200,388 (US\$2,004) in a year (NRs 16,700 or US\$167 in a month). The median for remittance receiving households was NRs 140,000 per year (or NRs 11,667 per month).

The unadjusted amounts of remittances received by households significantly varied with place of destination (Fig. 2). On average, a household received the

How much remittances a household receives depends on where a migrant goes to work.

highest amount (NRs. 18,584) of remittances per month from a migrant who was working in America,

⁵ US\$ 1 = 100 Nepali Rupees (2013); US\$ 1 = 75 Nepali Rupees (2010).

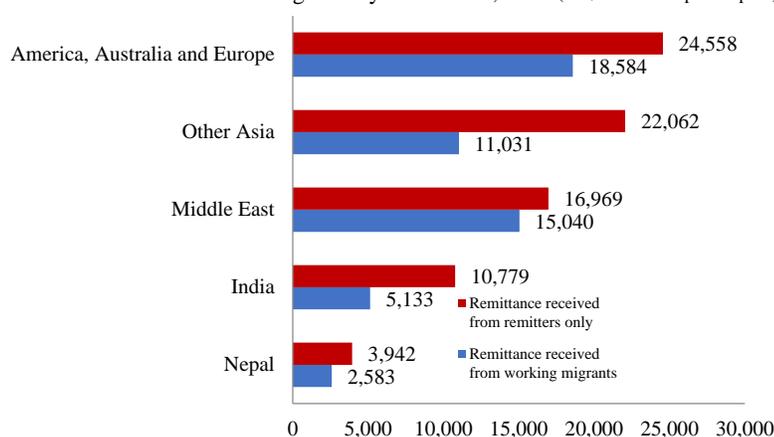
³For details of the study design and sampling see Barber et al. (1997).

⁴ For details: Bhandari, Prem and Indra Chaudhary (2016). "A Calendar Method of Collecting Remittance Use Data in a Remittance Dependent Setting of Nepal." Migration and Development. <http://dx.doi.org/10.1080/21632324.2015.1129689>.

Australia and Europe. The least amount (NRs. 2,583) of remittance was received by households from a migrant who was working in Nepal. Among remitters only, on average, a household received NRs. 24,558 per month from migrants who were working in America, Australia and Europe. This was followed by Other Asia (NRs. 22,062), Middle East (NRs. 16,969), India (NRs. 10,779) and NRs. 3,942 from a migrant who was working in Nepal.

The results adjusted for other household and migrant characteristics (not shown here⁶) reveal that: (a) Households were less likely to receive remittances from migrants working in

Fig. 2. Unadjusted amount of remittances (NRs) received by households from migrants by destination, 2013 (US\$ 1 = 100 Nepali Rupees).



India and America, Australia and Europe, but were more likely to receive remittances from migrants working in the Middle East and Other Asia. However, the result was statistically significant only for those who were working in India. (b) Households received significantly more amount of remittances from migrants working in countries with high earning potentials. (c) The largest amount of remittances (amount adjusted for individual and household characteristics) were received from migrants working in other Asian countries followed by those in America, Australia, and Europe and the Middle East as compared to those working in Nepal.

Conclusion

Migration has been a *rite of passage* for Nepali youths, specifically for men. Findings reveal differentials in both the receipt as well as the amount of remittances received with respect to migrant's destination. A few implications may be:

- Destination specific variation in the amount of remittance received by households may further deepen income inequality among migrant households. Gurung (2012) reported that socially included groups (privileged caste, rich, educated, land owners etc.) were more likely to choose destinations where earning opportunities are relatively better. This suggests that households that are already privileged in Nepal will be the ones that will receive higher amount of remittances, thus further deepening economic inequalities among households in Nepal.
- Remittance has important effect on household's poverty reduction and children's human capital development such as schooling and health (e.g. Adams, 2011; De & Ratha, 2012; Dey, 2015). Variation in the amount of remittances received by households from migrants working in various destinations may affect investment patterns of households and therefore, differential impact on poverty and children's human capital development.
- The results reported here in, however, are associations and the findings may not be generalized to a larger context. Also, migrants from more rural areas of Nepal may show different social demographic behavior. Thus, these conclusions should be considered rather cautiously.

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⁶ For adjusted results refer to Bhandari (2016).

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