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Demographic Effect on Income of Remittance: in Reference of Nepal

Balvadra Adhikari

Ph.D. Scholar, Dr. KN Modi University, Newai, Rajasthan, India

Abstract:

The remittance is the regular source of income of every country. Remittance is the one major source of rural people of Nepal; it has positive contribution in National income as well as poverty reduction. Socio-economic status of rural community is improved by remittance so considering this fact, the study aims to identify the effect of demographic variables on the level of income from remittance. The study was conducted in the three districts of Nepal covering the 385-remittance receiving household by using the purposive sampling technique. The structured questionnaires survey was done to collect the data. The study was based on the quantitative research design. The study found the significant effect of district, sex, education and skill on level of income. The other variables; age, caste, occupation and working country has no effect on income.

Keywords: Demographic, effect, income, remittance

1. Introduction

The term —remittance is most often defined roughly as follows: —funds transferred by migrants abroad to their families at home (International Organization for Migration, 2005).

Remittance is very good source of income of individual household as well as for country. It is the alternative option for the management of unemployment also. It is the universal practice that people migrate from one place to another place for the sake of job. The report of Ministry of Labour and Foreign Employment of Nepal reported that till the date of July 2012, approximately 24 Lakh youth are gone for foreign employment whereas 773940 youth were in Malaysia only (KC, Bhatrai, Dahal, Subedi, Shrestha, & Tamang, July 19, 2012). The number of Nepali workers leaving home for foreign employment is increasing every year. An official figure shows that a total of 527,814 Nepali men and women (number of women are insignificant, though) left the country in a single year, fiscal year 2013-2014, ending mid-July. This is 16.4 percent upward graph than that of previous fiscal year (Gajurel, 2015). According to the latest data of Department of Foreign Employment of Nepal, the total number of Nepali workers went for foreign employment was 527814 (Male 498848 & Female 28966) in the fiscal year Jun 2014 to July 2015 (<http://www.dofe.gov.np/new/uploads/article/year2070-71.pdf>).

The main aspect of the remittance is to improve the socio-economic status of remittance earners as well as community and society. Empirical studies have been very helpful in exploring various properties and capacities of remittances. Their explanation of positive impacts of remittances such as lowering income risks, improving housing, education, health, financing investment and collective financing by hometown associations of infrastructure including schools, roads, and wells, are quite appealing (de Haas, 2007).

There is positive impact of remittance in reducing the poverty level. On the basis of 2010 Nepal Living Standard Survey pointed out: internal remittance brings headcount poverty level down to 24.97%, while external remittance brings it down further to 22.13%. In the total remittances scenario, the poverty headcount comes down to 21.01%. Total remittances decrease poverty gap from 7.59% to 5.9%, and the squared poverty gap from 3.2% to 2.4%. The largest role of remittances is to reduce the squared poverty gap among three types of poverty (NLSSIII, 2010).

Various international studies have shown the positive impact of remittance on poverty reduction. A study undertaken in Ghana using time series data over the period 1980-2010 found: remittances do have a significant impact on poverty reduction through increasing income, smoothing consumption and easing capital constraints of the poor. Also, remittances were found to have no direct positive impact on economic growth. (ANTWI, MILLS, MILLS, & ZHAO, 2013). Similarly, a study on impact of remittances in two regions of the Algerian emigration (Nedroma and Idjeur) depicted that remittance helped to reduce poverty by nearly 13 percentage. Remittances have a strong positive impact on very poor families in Idjeur but much less in Nedroma, where poor families suffer from a “double loss” due to the absence of their migrants and the fact that the latter do not send money home (Margolis, Miotti, Mouhoud, & Oudinet, 2013). The problem of double loss is found in Nepalese context also. Illiterate and unskilled labour migration is high which affect the work nature and earning of migrant population. It is true that everywhere in the world, illiterate and unskilled person are paid less and given very labour work only. Demographic characteristic badly affect the level of income of remittance. Considering the fact, the main objective of this study is to identify the effect of demographic characteristic of remittance earners on the level of income of remittance.

2. Method

The study is based on the descriptive as well as explanatory research design. It describes about the status of remittance and effect of demographic characteristics of remittance earners on their level of income. The study was conducted in three districts; Rolpa, Magyadi and Dhanusha of Nepal. The data was collected from the 5 household of remittance earners by using the purposive sampling technique. List of migrant household was collected from the concerned District Development Office and contacted the individual household before collecting the data. Structured questionnaires survey was done to collect the data. The study was quantitative so frequency table, cross tabulation, Pearson Chi-Square test and regression was used to analyze the data.

3. Result and Discussion

The demographic factors can affect the level of income. Level of education, skill, nature of work, location, experiences ... etc. effect the income sources so considering this fact, one of the objectives of this study is to identify the demographic effect on income of remittance. The study tested the relationship between the different demographic variables and income and also identified the effect of demographic variables on income also.

The following tables presented the interrelationship between the demographic variables and income from remittance.

3.1. District Wise Categories of Income of Remittance

The study analyzed the level of income on the basis of study districts. The table no. 1 showed that in total 6.8% earned monthly up to 20000 whereas 46.5% earned 20001 to 40000 followed by 5.5% earned 40001 to 60000 and 40.8% earned 60001 to 80000 and 0.5% earned more than 80000.

		District of respondents			Total	
		Rolpa	Dhanusha	Mgyadi		
Monthly income of remittance	Up to 20000	Count	8	7	11	26
		% of Total	2.1%	1.8%	2.9%	6.8%
	20001-40000	Count	62	56	61	179
		% of Total	16.1%	14.5%	15.8%	46.5%
	40001-60000	Count	9	4	8	21
		% of Total	2.3%	1.0%	2.1%	5.5%
	60001-80000	Count	23	75	59	157
		% of Total	6.0%	19.5%	15.3%	40.8%
	More than 80000	Count	0	1	1	2
		% of Total	0.0%	0.3%	0.3%	0.5%
Total		Count	102	143	140	385
		% of Total	26.5%	37.1%	36.4%	100.0%
Chi-Square Tests						
		Value	df	Asymp. Sig. (2-sided)		
Pearson Chi-Square		25.418 ^a	8	.001		

Table 1: District wise categories of income of remittance

Source: Field Survey, 2016

District wise, more people (16.1%) of Rolpa earned 20001-40000 monthly whereas 19.5% people of Dhanusha earned monthly 60001-80000 and 15.8% of Mgyadi earned 20001-40000. The statistical analysis of Pearson Chi-Square test shows that there was significant association between the monthly income and districts of respondents with $P = .001$ at 95% significant level.

3.2. Sex Wise Categories of Income of Remittance

In the Nepalese society, there is some socio-cultural rules on gender relation. Female are treated as a caretaker of house and family members whereas males are treated as decision makers and household head. Females are not allowed to go outside of home alone so number of aboard migration of females is very less than male. The similar result was found from this study also. The data tabulated in table no. 2 shows that there was 95.8% male whereas only 4.2% females migrated aboard for job. They had send remittance to manage the basis needs of family.

		Sex of remittance earners			Total
		Male	Female		
Categories of income of remittance	Up to 20000	Count	26	0	26
		% of Total	6.8%	0.0%	6.8%
	20001-40000	Count	171	8	179
		% of Total	44.4%	2.1%	46.5%
	40001-60000	Count	18	3	21
		% of Total	4.7%	0.8%	5.5%
	60001-80000	Count	152	5	157
		% of Total	39.5%	1.3%	40.8%
	More than 80000	Count	2	0	2
		% of Total	0.5%	0.0%	0.5%
Total		Count	369	16	385
		% of Total	95.8%	4.2%	100.0%
Chi-Square Tests					
		Value	df	Asymp. Sig. (2-sided)	
Pearson Chi-Square		7.040 ^a	4	.134	

Table 2: Sex wise Categories of income of remittance

In total, 6.8% male earned up to 20000 whereas 44.4% earned 20001-40000, 4.7% earned 40001-60000, 39.5% earned 60001-80000 and 0.5% earned more than 80000 monthly in different country. Female reported that 2.1% earned 20001-40000, 0.8% earned 40001-60000 and 1.3% earned 60001-80000. Numbers of female remittance earners were very few so it might be the reason that there was no association between gender and level of income. The Pearson Chi-Square test found $P = .134$ which is greater than .05 significant level.

3.3. Education Wise Categories of Income of Remittance

Education is the backbone of development; it gives the critical and creative capacity to develop the personality of life. There is interrelationship between the education and income sources; both influence each other. In the general understanding, educated person can earn more money than uneducated person. But it is also true that income sources can support to gain the desired degree also.

This study measured the influence of education on level of income from remittance. Labour migration become the global trend; people move from one country to another country for the job. Nepal has also such trend of labour migration in various aboard countries. The following data showed that no migrant labor has more than grade 10 educations. Labour migrant has Minimum grade 4 to maximum grade 10 education. It also shows the migration of less educated people than the high educated. Comparatively, grade 8 were more migrated (54%) followed by grade 10 were 45.5%. the data showed the equal number (0.3%) from grade 4 and grade 6.

		Education of remittance earners in Grade				Total	
		4	6	8	10		
Categories of income of remittance	Up to 20000	Count	0	1	1	24	26
		% of Total	0.0%	0.3%	0.3%	6.2%	6.8%
	20001-40000	Count	0	0	56	123	179
		% of Total	0.0%	0.0%	14.5%	31.9%	46.5%
	40001-60000	Count	1	0	9	11	21
		% of Total	0.3%	0.0%	2.3%	2.9%	5.5%
	60001-80000	Count	0	0	142	15	157
		% of Total	0.0%	0.0%	36.9%	3.9%	40.8%
	more than 80000	Count	0	0	0	2	2
		% of Total	0.0%	0.0%	0.0%	0.5%	0.5%
Total		Count	1	1	208	175	385
		% of Total	0.3%	0.3%	54.0%	45.5%	100.0%
Chi-Square Tests							
		Value	df	Asymp. Sig. (2-sided)			
Pearson Chi-Square		180.415 ^a	12	.000			

Table 3: Education wise categories of income of remittance

Source: Field Survey, 2016

The statistical analysis shows that there was significant association between the level of education and income of remittance at $P = .000$ with 95% significant level. It can be assumed that there is effect of education on income sources from the remittance. So, it is recommended to gain necessary education of interested areas before visiting any country. Obviously, educated people may earn more than uneducated people from the service sectors.

3.4. Skill Wise Categories of Income of Remittance

The study had asked the respondents regarding their skill of related work. From the discussion, it was known that people worked in different manufacturing companies, industries, hotels, educational institutions and small scale private sectors in abroad to earn the money.

The data shows that 94.3% remitters were unskilled whereas only 5.7% were semi-skilled; it means they were not well trained from any formal institution in their working field. 45.2% unskilled people earned 20001-40000 per month in abroad followed by 40.3% earned 60001-80000 per month. It is very interesting that comparatively unskilled people were earning more than the semi-skilled people.

		Skill of Remittance Earners		Total	
		Semi-skilled	Unskilled		
Categories of income of remittance	Up to 20000	Count	14	12	26
		% of Total	3.6%	3.1%	6.8%
	20001-40000	Count	5	174	179
		% of Total	1.3%	45.2%	46.5%
	40001-60000	Count	1	20	21
		% of Total	0.3%	5.2%	5.5%
	60001-80000	Count	2	155	157
		% of Total	0.5%	40.3%	40.8%
	more than 80000	Count	0	2	2
		% of Total	0.0%	0.5%	0.5%
	Total	Count	22	363	385
		% of Total	5.7%	94.3%	100.0%
Chi-Square Tests					
		Value	df	Asymp. Sig. (2-sided)	
Pearson Chi-Square		120.534 ^a	4	.000	

Table 4: Skill wise categories of income of remittance
Source: Field Survey, 2016

It is the practical reality that even among the Nepalese context also that migrant labor is getting job on the basis of their past experiences than their current education or skill. So, it may be the reason that migrant labors are not so interested to get the skill based training or education before joining the job in market. Professional skill can significantly contribute to increase the productivity and income of individual and organization.

The statistical result of Pearson Chi-Square test shows that there was significant association between the skill and level of income from remittance. The significant value is less than .05 at 95% confidence level so it indicated the relationship between the skill and income.

In various previous study, also it is showed that every organization use to pay on the basis of skill of employees. Skill-based pay is found most often in organizations that pay unusually high wages, provide exceptionally high levels of training, and make extensive use of employee involvement practices, such as self-managed teams, open sharing of business information, and various pay innovations (Gupta, Ledford, Jenkins, & Doty, 1992).

The most common approach to human resource management is based on job descriptions.

Needed skills are discovered by analyzing the jobs in the organization. Job evaluations typically rate job value on the basis of skill level as well as other factors. The resulting job descriptions are used for defining jobs and setting pay rates. Pay systems, training, careers, and hiring systems also are built around the job descriptions. Training systems enhance job-related skills that are identified through the job description process. Selection systems hire employees who have the skills needed to perform the jobs available in the organization (LAWLER & LEDFORD, 1992). It is the common strategies of human resource hiring and mobilization adopted in the all established and functional organizations.

3.5. Age Wise Categories of Income of Remittance

Age is one important factor to determine the capacity of productive. Youth may have more energy and enthusiasm to do something than the older one. Physical strength is also equally important to put the competitive expectation by using the brain capacity.

The data of table no. 5 shows that 26.8% remittance earners were between 15-25 years old whereas 62.9% were 26-35 years old and rest 10.4% were between 36-45 years old. Age wise, earning was better among the 26-35 years' people because this is the age with good productive capacity. In this age category, people have collected a lot of professional experience also and can do very hard work. Employers also search young and energetic people to increase the production and profit of organization.

		Age categories of remittance earners			Total	
		15-25 years	26-35 years	36-45 years		
Income of remittance	Up to 20000	Count	2	22	2	26
		% of Total	0.5%	5.7%	0.5%	6.8%
	20001-40000	Count	62	99	18	179
		% of Total	16.1%	25.7%	4.7%	46.5%
	40001-60000	Count	10	5	6	21
		% of Total	2.6%	1.3%	1.6%	5.5%
	60001-80000	Count	28	115	14	157
		% of Total	7.3%	29.9%	3.6%	40.8%
	More than 80000	Count	1	1	0	2
		% of Total	0.3%	0.3%	0.0%	0.5%
Total		Count	103	242	40	385
		% of Total	26.8%	62.9%	10.4%	100.0%
Chi-Square Tests						
		Value	df	Asymp. Sig. (2-sided)		
Pearson Chi-Square		35.022 ^a	8	.000		

Table 5: Age wise categories of income of remittance
Source: Field Survey, 2016

Pearson Chi-Square test found that there was significant association between the age and income of remittance earners. It is recommended to visit aboard in productive age with needful qualification and experience so that they can earn good amount. In case of males from the age-group 30-34 onwards, there is a rise in the percentage of labor force in all the age-groups over the years. From the age group of 25-29 onwards, there are more numbers of people getting employed as informal workers in the older age-groups. In the case of females, the declining trend over the years of labor participation and informal work participation exists up to the age-group of 20-24 after which there appears to be a rise in the percent of labor force and employment in all subsequent age-groups over the years (Das & Roy, 2007, p. 37).

3.6. Regression Analysis between Demographic Factors and Income from Remittance

The regression analysis gives the result of effect of independent variables on dependent variable. Step by step method was used to test the effect of individual demographic variable on level of income from remittance. The following table no. 6 shows that level of education of remittance earners had strong effect on their income than the other variable.

From the analysis, it is found that the R^2 value of education of remittance earner is .338 which means that education alone can explain 33.80% of the variation in the level of income. The adjusted R^2 value is .336 which means that the education contributed 33.60% on level of income from remittance. When district of respondent was added with education then jointly it contributed 35.7% on level of income. Similarly, jointly education, district and age of respondent contributed 36.5% on income level and finally four variables; education, district, sex and skill of remittance earner contributed 37.10% on level of income.

Model Summary						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
Education of remittance earners		.582 ^a	.338	.336	15536.229	
Education of remittance earners, District of respondents		.600 ^b	.360	.357	15297.853	
Education of remittance earners, District of respondents, sex of remittance earners		.608 ^c	.370	.365	15194.325	
Education of remittance earners, District of respondents, sex of remittance earners, skill of remittance earners		.614 ^d	.377	.371	15129.651	
ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	52693517308.637	4	13173379327.159	57.549	.000
	Residual	86984405171.029	380	228906329.397		
	Total	139677922479.666	384			
Predictors: (Constant), Education of remittance earners, District of respondents, sex of remittance earners, skill of remittance earners						

Model		Coefficients					95.0% Confidence Interval for B	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Lower Bound	Upper Bound
		B	Std. Error	Beta				
1	(Constant)	124829.915	14996.595		8.324	.000	95343.215	154316.615
	Education of remittance earners	-10914.084	788.851	-.593	-13.835	.000	-12465.143	-9363.024
	District of respondents	3022.331	1011.580	.125	2.988	.003	1033.335	5011.326
	sex of remittance earners	-10130.117	4052.327	-.106	-2.500	.013	-18097.909	-2162.326
	skill of remittance earners	7110.476	3443.307	.087	2.065	.040	340.155	13880.797

a. Dependent Variable: Income Source of your family-remittance

Table 6: Regression analysis between demographic factors and income from remittance

Source: Field Survey, 2016

The regression analysis on all four demographic variables were found significant at $p \leq 0.05$ (.000), at $F = 57.549$ to level of income. There was significant effect of individual variables; education, district, sex and skill on level of income at $p = \leq 0.05$ significant level with 95% confidence interval. There was no effect of age, caste, occupation and country where remittance earners were working on the level of income.

The result of statistical analysis of regression rejected the null hypothesis and established the alternative hypothesis.

4. Conclusion

Demographic characteristic determines the quality of individual personality. Effective personality can influence in the change of society. Qualified, experienced and skilled person have various opportunities to prove their capacity. There are high chances to earn good amount also. Qualified, experienced and skilled people are paid high facilities in all organization. In such context, remittance can be influenced from the demographic characteristics of remittance earners. This study examined the effect of various demographic variables; district, sex, education, skill, age, caste, occupation, working country of remittance earner. Among these variables; there was significant effect of individual variables; education, district, sex and skill on level of income at $P = \leq 0.05$ significant level with 95% confidence interval. There was no effect of age, caste, occupation and country where remittance earners were working on the level of income. The assumption that productive age can produce more and can earn more is failed from this study. There was significant association between the age group and level of earning from remittance but no effect of age found from the regression analysis. Every household and interested people should be careful about the education and skill of remittance earners before visiting any country for the job. These two variables have significant role to determine the level of earning so education and skill should be promoted from all concerned authorities to increase the remittance.

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