

Linking Inward Remittances and Poverty Reduction in Nepal

Change During the First Decade of 21st Century



THE FLETCHER SCHOOL
OF LAW AND DIPLOMACY
TUFTS UNIVERSITY

Remittances reliance growth
and poverty reduction level by
Nepali Districts 2011

Introduction

As the world becomes more integrated with the trend of globalization, more and more people move away from their hometowns and work in other countries. The remittances market thus turns into a crucial external financial sources for some households.

Nepal, as one of the largest remittances – receiving countries, had remittances revenue accounting for one third of GDP in 2015. Policymakers have to allocate and distribute this large trunk of remittances income cautiously. Wagle and Devkota (2018) found that remittances could reduce poverty. A spatial analysis of remittances related issues may expose some trend which can better facilitate policy implementation.

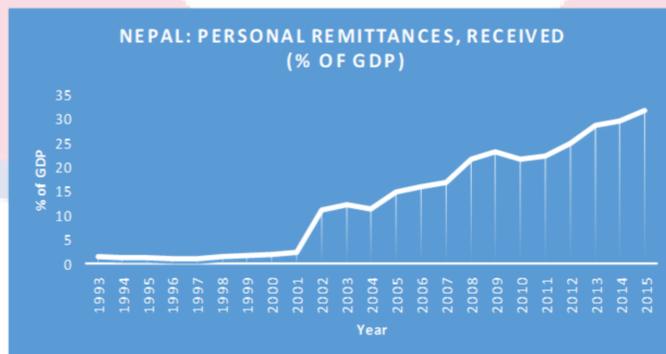
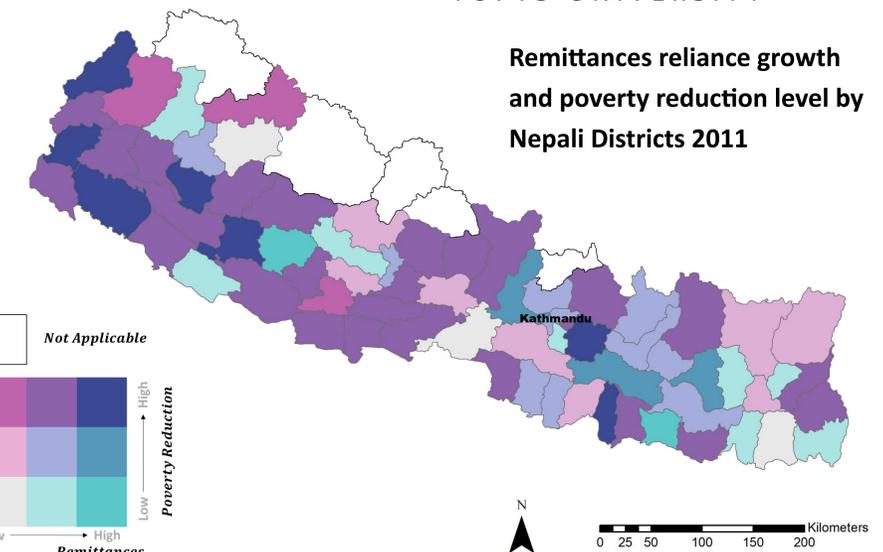
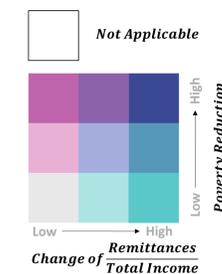
Methodology

National Living Standard Survey (NLSS) of Nepal displays household-level estimates of expenditures, income and other aspects. NLSS II (2003-2004) and NLSS III (2010-2011) are used in this research to gauge the amount of remittances each households received and how much it contributes to the total income at district level. The change of this contribution ratio is utilized to measure household's reliance on remittances. In addition, the remittance origins are also generated based on this dataset. Another dataset from Humanitarian Data Exchange presents the poverty gap indices for all districts in 2001 and 2011. The shrinkage of this gap is used as proxy of poverty reduction.

A simple correlation analysis shows that the remittances reliance ratio has positive correlation with poverty reduction. To better demonstrate the different extent of this correlation in different districts, bivariate mapping is adopted.

Districts Per Categories

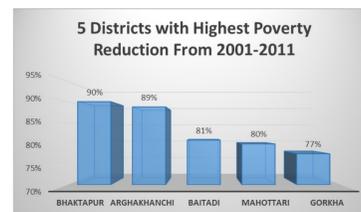
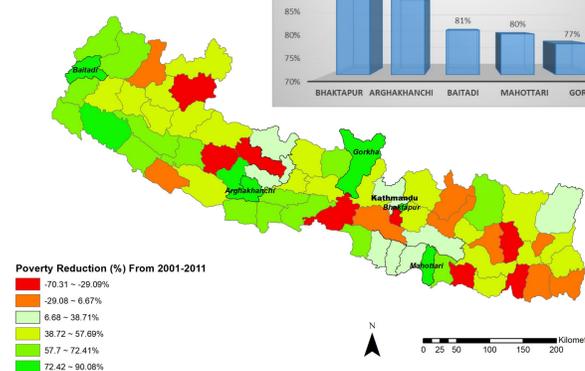
3	26	7
8	10	3
3	8	2



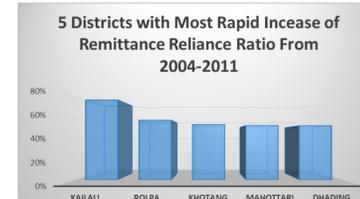
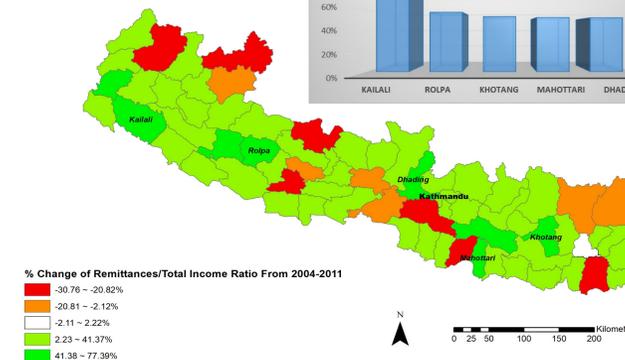
Research Questions

1. What regions are the majority origins of remittance income in 2004 and 2011 respectively?
2. Which districts rely more on remittances as income sources in 2004 and 2011 respectively?
3. Which are the districts with the declining poverty level during 2001-2011?
4. What's the correlation between remittances reliance growth and poverty reduction?

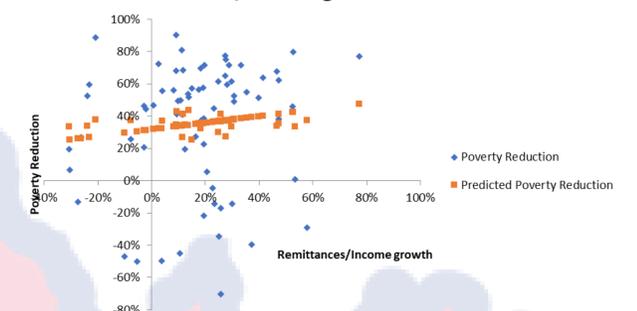
Poverty Reduction from 2001-2011



Remittance Reliance growth from 2004-2011



Remittance/Income growth Line Fit Plot



Findings

With the rapid increase of remittances/GDP ratio in the first decade of this century, most of Nepali districts have witnessed the increase of remittances and reduction of poverty. Although there is not necessarily causation between remittances reliance growth and poverty reduction, the positive correlation between them is evident.

Bivariate map shows that more than half of the districts (46 out of 70) falls into the upper-right categories. It also validate the hypothesis that remittance growth tend to be accompanied with poverty alleviation.

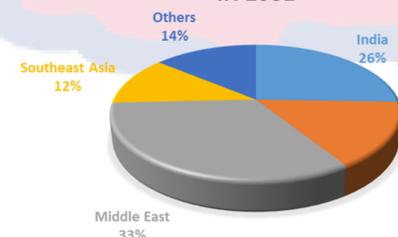
By comparing the remittances origins distribution in 2001 and 2011, it can be concluded that Middle East countries remained the major origins of Nepal inward remittance and India became less attractive for Nepali migrants during this period.

Cartographer: Guo Chen

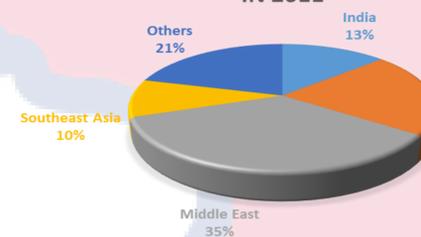
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DISTRIBUTION OF REMITTANCES ORIGINS IN 2001



DISTRIBUTION OF REMITTANCES ORIGINS IN 2011



Limitations

Since there is no single dataset including both remittances and poverty data, two data sets with closest horizon are used. The correlation of two key variables might be influenced by this discrepancy.

In addition, the NLSS dataset only listed around 10 destinations of migrates and put anything else as "other countries", which constraints in-depth analysis of origins of inward remittances.

Sources

1. National Living Standard Survey II and III, Central Bureau of Statistics of Nepal.
2. Nepal Poverty Rates on District Level, 2001-2011, Humanitarian Data Exchange.
3. The impact of foreign remittances on poverty in Nepal: A panel study of household survey data, 1996-2011. Wagle and Devkota: 2018.

