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NEXUS BETWEEN REMITTANCE INFLOW AND HUMAN DEVELOPMENT IN NEPAL

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ABSTRACT

Nepal is one of the largest remittances receiving country in the world as a share of GDP. Not only remittance income has become major determinant of overall economic structure and dynamics but also it influences key components of human development such as Gross National Income Per Capita, Life Expectancy at Birth and Mean Year of Schooling and the like. This study carried out influence analysis of remittances on human development of Nepal. Secondary data required for this study has collected from various authentic sources for 35 years i.e. from 1980-2014. Simple Linear Regression analysis and Pearson Correlation Coefficient were used to analyze the data. Even though output of the analysis shows positive influence of remittance inflow on overall Human Development Index, for sustainable economic development, it is indispensable for Nepal government to utilize their young human resources in productive sector of origin country rather than making national plan and policies depending on remittance inflow.

KEYWORDS
HDI, origin and destination country, regression, remittance, XLSTAT.

INTRODUCTION

Interest and research in remittances inflows and its impacts on various indicators of economic development and growth have been growing over the past few years. Major reason behind this is the importance of remittances in boosting economic growth and development. Labor migration has become an important issue in the twenty first century as it plays vital role in shaping the society, economy, politics, culture and sometimes security of the concerned countries. Size of people emigration from Nepal was not recorded till 1951. Even though volume of migration stock of Nepal was first recorded in the census of 1952/54, the real dimension of actual emigration was recorded only in the census of 1981 (Heide & Hoffman, 2001). Labor movement in Nepal was started just after Sugauli treaty in 1816 A.D. and from that period to till date labor migration has played a crucial role in the Nepalese society. Recruitment of Nepalese prisoners in the British-Indian army for war and involvement of Nepalese peasants in new agricultural program carried out by British-India in different province such as Burma, Assam, Darjeeling was the key turning point in the history of Nepalese emigration . After 1980, due to increment in oil mining industries and booming of construction business triggered by globalization movement, there was dramatic growth in internal and international migration in Nepal, particularly from rural village to urban centers and foreign countries like Gremany, Britain, Canada, America, Japan, India and especially to Gulf Cooperation Council (GCC) member countries in the pursuit of better income, better employment opportunities and descent and dignified life which are not possible in the origin country (Gautam, 2008 & Gurung 2011). This rate of migration was accelerated in between 1996-2006 due to rise in unemployment, high under employment and conflict in Nepal. As labor migration from Nepal climbed up sharply over the past decade, recorded remittance inflows increased many-folds and reached to 29% of GDP in 2013, which makes Nepal the third highest remittance receiving country in the world as share of GDP. Remittances inflow in Nepal is equivalent to 83% of total international reserve (The World Bank, 2015).

Several factors such as uneven and weak economic recovery in Euro zone, stricter migration rules in Russia, Singapore, USA and European Union, lower oil prices in Russia and GCC member countries, economic sanctions on Russia, fluctuation in exchange rate i.e. depreciation of Euro and Ruble against US dollar, conflict in Syria, Libya, Afghanistan, Ukraine, Nigeria, Belarus and other many parts of the globe have resulted in low remittances inflows in many developing nations and it also changes the existing pattern of people migration in year 2014 but these worldwide economic, social and political scenarios have not fluctuated remittances inflows in Nepal along with some other South Asian countries due to robust recovery in US economy and continuous demand of migrant workers in GCC member countries owing to their long-term infrastructure development plans and fiscal expansion.

Exporting labor has contributed a lot in the service sector of Nepalese economy and now most rural households depend on at least one member’s earnings, remittances, from employment away from home and often from abroad (Seddon, 2005). Exporting labor in different destination countries has become a lucrative business for more than 2000 manpower companies in Nepal as labor migration emerging as intrinsic part of everyday life for a majority of Nepalese. According to Sijapati and Limbu (2012), migration of people from one nation to another nation has both merits and demerits to the families of migrant workers in origin country and also to the employers in destination countries. Generally country of origin benefitted from higher wages (in comparison to wages in origin country but it can be less than wages given to local workers) and it also assists government of origin country in managing labor market pressure whereas destination country benefitted from increased supply of low paid active labors. As the level of wages in high income country are approximately five times greater than level of wages in low income country for similar occupations, migrant workers from low income country can get high economic gains and remittances from those workers can be spent in developing countries where the prices of non-trade goods are much lower (World Bank, 2005).

There are many researches available in Nepal in the area of remittances but most of the existing researches on remittances in Nepal tend to focus more on relationship between remittances and poverty (NRB, 2002; Seddon, Adhikari & Gurung, 2000; Bhadra, 2007; SAARC, 2006; SACEPS/FES-Nepal, 2007), some researches have dealt with migration trend and remittances inflows (Paudel, 2014) and some dealt with impact of remittances on economic growth (Nepal, 2012; Sigdel, 2005; Srivastava and Chaudhary, 2007; Gaudel, 2006) but this research is quite different from existing researches as it deals with human development not with economic growth and poverty. Economic growth is one aspect economic development but is not the same. Effect of migration and remittances on inequality is much more ambiguous but directly or indirectly migration and remittances have potential to improve well-being, reduce poverty and stimulate economic growth (Haas, 2007).

This paper intends to close the existing gap by analyzing the relationship between remittances inflows and Human Development Index (HDI) statistically. As HDI measures three basic aspects of human development i.e., health, wealth and knowledge; outcome of this study will help in proper utilization of remittances to increase education level, life expectancy and income of the people. Determinants of HDI such as Gross National Income (GNI) per capita, life expectancy at birth, literacy rate and mean year of schooling have been fluctuating continuously along with the fluctuation in remittances inflow in Nepal. According to World Bank data life expectancy at birth of Nepalese people was 55 years in 1990 but in year 2013 it was 68 years. Likewise literacy rate and GNI per capita of Nepal reached to 57% and US$ 730 respectively in year 2013 from 21% and US$ 210 of 1990. Within this period remittance inflows in Nepal sharply increased and reached to US$ 5210 million in year 2013, compared to US$ 57 million of year 1991. Even though Nepal government has no proper policy to utilize the remittance amount, foreign employment plays vital role in the economy of Nepal. Nearly around 78.9% remittances received by households is spent on daily consumption, followed by 7.1% to repay loan, 4.5% to purchase household property, 3.5% on education, 2.4% on capital formation and 2.5% among others(Asian Development Bank, 2014).All the above situations show the need of establishment of statistically verified relationship between HDI and remittances inflows in Nepal.

LITERATURE REVIEW

According to the World Bank (2015), remittance inflow to South Asian region has increased by 4.5% in 2014 and reached to US $ 116 billion which was only US $ 111 billion in year 2013. In year 2014, India has become the largest recipients of migrant remittance which was equal to US $ 70 billion i.e. equivalent to 25% of its own foreign exchange reserve. But if we talk on the ground of GDP then Tajikistan become the largest recipient of migrant remittances in year 2013 and was equivalent to 49% of GDP. Generally countries having small economics have large share of remittances to GDP in comparison to countries with larger economics. The stock of international migrant in year 2013 was nearly around 247 million which was 15 million more than that of previous year estimate. Same source reveals that in year 2013, South-South migration retained first position and was equivalent to 37% of the global migration stock but on the ground of monetary value North-South remittance held the first position and was equivalent to 34% of global remittances flows. Remittances to developing countries has increased by 21.8 fold i.e., from US$ 20 billion of 1988 to US$ 436 billion in 2014 and it is expected that it will be US$ 440 billion, US$ 459 billion and US$ 479 billion in year 2015, 2016 and 2017 respectively. Generally remittances inflows from migrated labor cannot be considered as a substitute for official development assistance, foreign direct investment, debt relief or other public sources of finance development even though its size in some developing countries is greater than official development assistance, foreign direct investment and sometimes even larger than or equal to foreign exchange reserve in those countries but it acts as a significant private financial resources for the household in countries of origin (UNCTAD, 2008).

According to the Department of Foreign Employment of Nepal number of labor migrant from Nepal in year 2013/14 is 521,878. As per the budget speech imparted by government of Nepal in 2009, every year 400,000 Nepalese enter the job market in search of job which shows existence of high unemployment rate and it also verifies the importance of foreign employment to minimize this labor pressure. Correspondingly, number of Nepalese workers who legally left country for work overseas except India in year 2013 was 453,543 (DoEF, 2013). 33% to 50% of overall poverty reduction in Nepal between 1996 and 2004 was due to contribution of remittances inflows (World Bank, 2006). Rimal (2004) identified existing poverty, limited employment opportunities, deteriorating agricultural productivity, armed middle class families as the major pushing factors that has been forcing Nepalese people to migrate abroad with the hope of earning much within a short period.

Generally flow of remittances can happen both through formal and informal channels. It is not possible to record the remittances through informal channels and these unrecorded remittances may be 50% of globally recorded remittances flows. Even though huge portion of remittances cannot be recorded officially, several studies have highlighted the importance of nexus among the international migration, remittances and development. Existing studies related to migration, remittances and development which will be presented in this section imparts evidences enough to support the hypotheses that remittances are beneficial to the origin countries and can significantly affect the human development indicators such as health, wealth and knowledge of people. According Pant (2008), utilization of remittances in origin country produce positive impact on development in different form can be examined both at micro and macro level such as political, social, financial, cultural, and economic and the like. Rapoport and Docquier (2006) argues that, household members who are left behind use remittances to repay loans taken to finance migration or education and insurance and strategic movement and it also supports households to invest in business and facilitate buying more goods and assets, including health and education inputs. Not only remittances increases the entrepreneurial activities at the household level (Yang, 2003; Woodruff & Zenteno, 2001) but also it changes the attitude of family member left behind by emphasizing the knowledge transfer (Hildebrendt and McKenzie, 2005).

Several studies focus on analyzing the linkage between remittances and GDP reveal both positive and negative result. Faini (2002, 2003) conducted research using cross country data, Adelman and Taylor (1990) and Durand, Parrado and Massey (1996) conducted research on Mexican economy and Ekanayake and Mihalis (2008) conducted research on large group of developing countries and all research ended with the conclusion that both remittances and foreign direct investment supports economic growth (GDP) in developing countries. Spatafora (2005) finds no direct relationship between real per capita output and remittances. Likewise Chami, Fullenkamp and Jahjah (2003) identify negative effect of remittances on economic growth of developing countries. Remittances flows in developing nation is more or less equal to foreign direct investment (FDI), one third of export earning, more than twice the private capital flows, almost 10 times the official capital flows and more than 12 times official transfer (Barajas, Chami, & Fullenkamp, 2009). This huge amount of remittance assists origin country to increase the investment activities which in turn promote development and inclusive growth. In Ghana nearly around 30% of the remittances are used for the purpose of investment and construction of house (Asiedu, 2003). Drinkwater, Levine, & Lotti (2003) reveal that large amount of remittances are more easily diverted to investment and saving if primary income earner maintains the households. According to McCormick and Wahba (2001) there is high possibility of becoming entrepreneurs if migrants spent long time in abroad and saved reasonable amount. International remittances receiving households spends more on housing and education and less on food items, compared to non-remittances receiving households (Adams, 2005). Favorable exchange rate increases the investment of remittances receiving household in entrepreneurial activities specifically in manufacturing, transportation and communication enterprises (Yang, 2004). Remittances are also expected to play vital role in order to reduce poverty as it is directly received by the poor. There is not any formal frame work to capture the impact of remittances on poverty but the amount of money sent by the migrant to the family member and change in their consumption behavior can be taken as positive impact of remittances on poverty (Chimhown, Piesse, & Pinder, 2005). According to Uruci and Gedeshi (2003), 69.7% of long-term legal immigrants send money to origin country to fulfill the basic need of their family. Household surveys of 71 countries taken by Adams and Page (2005) shows negative relationship between poverty and international remittances as 10% rise in the share of remittances to GDP lead to a reduction of only 1.6% of poverty. In EI Salvador, remittances inflow reduced the poverty rate by 4.2% and Gini coefficient by 0.02 in year 2000 (Campos & Palomo; 2002). Other several studies (Lopez-Cordova, 2005; Gustafsson and Makonnen, 1993; Taylor, Mora and Adams, 2005) find that remittances reduce poverty gap index and increase consumption, saving and investment. Remittances can be used as foreign exchange earning in many developing countries even though it cannot substitute FDI and ODA. Remittances assist to solve the short supply of foreign exchange at the time of declining in other financial flows due to external factors. Government of Morocco has used international remittances positively for development of nation (Bouhga and Hagbe, 2004). Likewise, Rajan and Subramanyam (2005) consider remittances as an important stimulus to domestic demand.

If we discuss about the relationship between remittances and employment then we get mixed result. Frank (2001) and Rodriguez and Tiongson (2001) argue that when non-migrating family members in origin country receive remittances then they reduces their participation in the local labor market. But study of Cox-Edward and Rodriguez-Oreggia (2009) in Mexico find zero impact of remittances on labor supply of household member. In addition, investing remittances in the local market create employment opportunity for non-migrated family members. Lastly, not only this research bridges the existing research gap but also it will add a new literature in the area of migration, remittances and development.

HYPOTHESES
On the ground of research objectives, following hypotheses have been set:

1. **H_0:** Remittances inflows in Nepal do not have any influence on Human Development Index and its components.

H_1: Human Development Index and its components fluctuated as per fluctuation in remittances inflow in Nepal.

2. **H_0:** Remittances inflow, HDI and its components i.e., GNI Per Capita, Mean Year of Schooling and Life Expectancy at birth are not associated to each other.

H_1: Remittances inflow, HDI and its components i.e., GNI Per Capita, Mean Year of Schooling and Life Expectancy at birth are associated to each other.

OBJECTIVES OF THE STUDY
Major objective of this study is to establish statistical relationship between remittances inflows and Human Development Index of Nepal. Some minor objectives of this study are:

i) To measure the strength and direction of long run relationship between remittances inflows and HDI of Nepal.
ii) To know whether remittances inflows, HDI and its key components are interrelated or not.

SIGNIFICANCE OF THE STUDY
This study will be of great importance because of the following reasons:

i) This study will generalize the issue of migration, remittances and development and provides updated information regarding the impact of remittances inflows on human development.
ii) Finding of this study will support policy makers and national planner in proper utilization of remittances inflows in human development.
iii) This study will add some extra literature in the field of economics.

iv) This study will act as foundation for potential researchers to conduct research in the field of remittances and human development.
v) This study will inform government about the scenario of unemployment and need and role of foreign employment for the nation.

Besides aforementioned importance, data and result of this study will be supportive for entrepreneurs, students and scholars and they can use it for different sorts of economic analysis.

RESEARCH METHODOLOGY

All the data required for this study has been collected from secondary sources. Three dependent variables i.e., GNI (PPP), life expectancy at birth (LEB) and mean year of schooling (MYS) are collected jointly from United Nation Development Report 2014 and data of economic indicator provided by World Bank whereas data for one independent variable i.e. remittances inflows (REM) is collected from several year's economic survey conducted by Central Bureau of Statistic of Nepal Government. To determine the impact of remittances inflows on life expectancy at birth, mean year of schooling and GNI (PPP); simple linear regression model is used. As there are three dependent variables and one independent variable, four separate simple linear regression equations will be established to compute the magnitude and direction of long-run relationship between predictor and criterion variables. Independent variable remittance can be defined as transfer of money, ideas and social capital by emigrants to the family member in the origin country to remove various obligations. Dependent variable HDI is a summary composite index used to measure average achievement in the three key dimensions of human development: health, income and knowledge. The HDI is the geometric mean of normalized indices of health, knowledge and living standard. The health component of HDI is calculated on the ground of life expectancy at birth using a minimum value of 20 years and maximum value of 85 years. Likewise, mean year of schooling for adults aged 25 years and expected years of schooling for children of school entering age are taken as basis for calculating education component of HDI. GNI ranging from US$ 100 (PPP) to US$ 75,000 (PPP) is taken as measurement scale for living standard dimension of HDI. All variables included in this research are continuous variables. To examine the impact of remittance inflows on HDI and its components simple linear regression analysis is employed. Four sets of simple linear regression equation are used to measure the impact of remittances inflows on each human development indicators.

Mathematically, general form of the simple linear regression equation can be written as under:

$Y = \alpha + \beta X + e$…………………….. (Basic Model)

Where Y is dependent variable, α is intercept and β is slope of independent variable X and e is unpredicted random error. On the basis of the above simple linear equation, this study has developed the following four model equation for research purpose.

Model I: Taking HDI as dependent variable

$HDI = \alpha_1 + \beta_{remh}\, REM + e$…………….. (I)

Model II: Taking Life Expectancy at Birth (LEB) as dependent variable

$LEB = \alpha_2 + \beta_{reml}\, REM + e$…………….. (II)

Model III: Taking Mean Year of Schooling (MYS) as dependent variable

$MYS = \alpha_3 + \beta_{remm}\, REM + e$…………….. (III)

Model IV: Taking GNI Per Capita as dependent variable

$GNI = \alpha_4 + \beta_{remg}\, REM + e$…………….. (IV)

In the above models $\alpha_1, \alpha_2, \alpha_3$ and α_4 are constants when dependent variables are HDI, LEB, MYS and GNI Per Capita respectively. Likewise, the estimated regression coefficient for remittances inflows when dependent variable is HDI, LEB, MYS and GNI Per Capita are $\beta_{remh}, \beta_{reml}, \beta_{remm}$ and β_{remg} respectively. In this research XLSTAT software is used to analyze the data. Simple linear regressions, Pearson Correlation Coefficient along with Durbin Watson statistic are identified to measure the positive and negative influence of remittances inflows on key human development indicators of Nepal.

DATA ANALYSIS AND PRESENTAIONS

Remittances inflows along with key human development indicators such as Human Development Index (HDI), Mean Year of Schooling (MYS), Life Expectancy at Birth (LEB), Gross National Income (GNI) Per Capita of Nepal for 35 years i.e. from year 1980 to year 2014 has been presented here in Table 1.

TABLE 1: DATA RELATED TO REMITTANCES INFLOWS AND KEY HUMAN DEVELOPMENT INDICATORS

Year	HDI	MYS	LEB	GNI	REM	Year	HDI	MYS	LEB	GNI	REM
1980	0.29	0.6	47.7	140	30	**1998**	0.44	2.32	60.78	220	68
1981	0.29	0.72	48.4	160	39	**1999**	0.44	2.36	61.44	220	83
1982	0.3	0.84	49.1	160	32	**2000**	0.45	2.4	62.1	230	111
1983	0.31	0.96	49.8	150	38	**2001**	0.45	2.46	62.64	240	147
1984	0.32	1.08	50.5	160	37	**2002**	0.46	2.52	63.18	240	678
1985	0.33	1.2	51.2	170	38	**2003**	0.47	2.58	63.72	260	771
1986	0.34	1.36	51.98	180	38	**2004**	0.47	2.64	64.26	290	823
1987	0.35	1.52	52.76	190	59	**2005**	0.48	2.7	64.8	320	1212
1988	0.36	1.68	53.54	210	69	**2006**	0.49	2.8	65.3	350	1453
1989	0.38	1.84	54.32	220	60	**2007**	0.49	2.9	65.7	380	1734
1990	0.39	2	55.1	220	59	**2008**	0.5	3	66.2	440	2727
1991	0.39	2.04	55.84	220	57	**2009**	0.51	3.1	66.7	490	2985
1992	0.4	2.08	56.58	210	54	**2010**	0.53	3.2	67.1	540	3469
1993	0.41	2.12	57.32	200	55	**2011**	0.53	3.2	67.6	610	4217
1994	0.41	2.16	58.06	200	50	**2012**	0.54	3.2	68	690	4793
1995	0.42	2.2	58.8	210	57	**2013**	0.54	3.2	68.4	720	5210
1996	0.42	2.24	59.46	220	44	**2014**	0.54	3.3	68.8	730	5627
1997	0.43	2.28	60.12	230	49						

Sources:

HDI, MYS and LEB: United Nation Human Development Report 2014.

GNI Per Capita: World Bank Economic Indicator.

Remittances Inflows: Central Bureau of Statistic Nepal.

Note: *GNI per Capita is in Current US$ and REM is in millions of US$. Anywhere in this article GNI indicate GNI per capita.*

Table 1 show that HDI, MYS, LEB and GNI per capita of Nepal have been increasing continuously along with increment in remittances inflows. Within 1980 to 2014 remittances inflows reached to US$ 5672 million from US$ 80 million. Likewise, LEB, MYS and GNI per capita have also increased steadily which resulted in increment in HDI up to 0.54 in year 2014 from 0.29 of year 1980. According to the need and purpose of this study simple linear regression analysis has performed among these five variables and outcome of the analysis is demonstrated below along with interpretation.

TABLE 2: KEY INDICATORS OF REGRESSION ANALYSIS

Dependent Variables	=	Constants	+	Coefficients	R	R^2	F	DW
HDI	=	0.388	+	3.493E-005	0.768	0.590	47.578	0.046
		(38.812)		(6.898)				
LEB	=	56.343	+	0.003	0.735	0.540	38.753	0.036
		(62.391)		(6.225)				
MYS	=	1.845	+	0.000	0.722	0.521	35.944	0.042
		(16.949)		(5.995)				
GNI	=	192.525	+	0.100	0.990	0.981	1684.258	0.501
		(40.201)		(41.040)				

In table 2 Pearson Correlation Coefficient "R" for all the independent variables are above .70 which represents strong positive relationship of MYS, GNI, LEB and HDI with remittances inflows. Likewise coefficient of determination "R^2" when GNI is dependent variable is 0.981 which indicates 98.1% variation in GNI is due to fluctuation in remittances inflows. This variation caused by remittances inflows in MYS, LEB and HDI are 52.1%, 54% and 59% respectively and even though these degree of variations are quite low in comparison to variation caused by remittances inflows in HDI, it clearly symbolize the potentiality of existence of relationship between aforementioned dependent and independent variables. Value of "F" calculated from F-test for MYS, GNI, LEB and HDI are 35.94, 1684.258, 38.753 and 47 respectively and all these calculated value of "F" are greater than tabulated value of 4.14 at 5% level of significance i.e. $F>F_{\alpha}$ (k-1, n-1) and this demonstrates remittances inflows as a statistically significant predictor of MYS, GNI, LEB and HDI in the context of Nepal. Calculated value of "t" for intercept and remittances in all four regression equation are greater than tabulated "t" i.e. 2.032 or $t>t_{\alpha\,(n-1)}$ and this verifies that parameters α (constant) and slope (*β*) are not significantly equal to zero. From the above table we also know that Durbin-Watson statistic when dependent variable is MYS, GNI, LEB and HDI are 0.042, 0.501, 0.036 and 0.046 and all these D.W. statistics are below d_l i.e., $d<d_l$ which represents existence of auto-serial correlation in the above models in Table 2. When "n" is 35 and "K" is 1 then d_l is 1.40 and d_u is 1.52 at 5% level of significance. Existence of auto-serial correlation exhibits the missing of some important factors influencing dependent variables. In order to get correct prediction from the above model, we have to remove the auto-serial correlation by transforming the series by $Y_t'=Y_t - \rho Y'_{t-1}$ and $X_t'=X_t - \rho X'_{t-1}$ and for this purpose we are going to use Cochrane-Orcutt method in XLSTAT software. Regression models after treating auto-serial correlation can be found as under:

TABLE 3: REGRESSION MODELS AFTER TRANSFORMING SERIES

HDI*	=	0.624 + 5.3774E - 06*REM*
LEB*	=	106.942 - 1.14E - 04*REM*
MYS*	=	3.513 + 4.615E - 05*REM*
GNI*	=	208.579 + 9.211E – 02*REM*

From the above treated models in Table 3, we can conclude that if remittances inflows increased by US$ 1 million then HDI*, LEB*, MYS* and GNI* Per Capita will be increased by $\frac{0.54}{10^6}$ point, $\frac{1.14}{10^4}$ years, $\frac{4.61}{10^5}$ years and US$ $\frac{9.21}{10^2}$ respectively. Numerical value of constants in the models i.e. 0.624, 106.942, 3.513 and 208.579 represents value of HDI*, LEB*, MYS* and GNI* when slope of remittances inflows becomes zero. High value of intercept in the model is due to the other various external factors determining HDI*, LEB*, MYS* and GNI* which are excluded in this study. It is also reveals from the models that LEB* is inversely proportional to remittances inflows. Another objective of this research is to identify magnitude and direction of relationship among the variables. Pearson Correlation Coefficient computed for this objective demonstrates the following result.

TABLE 4: PEARSON CORRELATION MATRIX

Variables	HDI	MYS	LEB	GNI	REM
HDI	1	0.992	0.995	0.828	0.768
MYS	0.992	1	0.985	0.790	0.722
LEB	0.995	0.985	1	0.794	0.735
GNI	0.828	0.790	0.794	1	0.990
REM	0.768	0.722	0.735	0.990	1

As the calculated value of Pearson Correlation Coefficient for all the variables are higher than tabulated value of 0.325, null hypotheses is rejected i.e. we can conclude that there is correlation among the variables. In all circumstances value of Correlation Coefficient is higher than 0.7 which indicates strong positive relationship among the variables. Among the tested variables Life Expectancy at Birth is highly correlated with Human Development Index while relationship between remittances inflows and Mean Year of Schooling is slightly lower than relationship between other variables. If we talk about the relationship of dependent variables with independent variable (REM) then it is found that GNI is highly related with REM and the relation of MYS with REM is somewhat lower as explained above.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Major objective of this research paper is to establish a regression model which reflects actual relationship between remittance inflow and human development in Nepal. Result of analysis shows that the impact of remittances inflows on overall Human Development Index is positive. Likewise impact of remittances on Mean Year of Schooling and Gross national Income Per Capita is positive whereas impact of remittances inflow on Life Expectancy at Birth is negative and this may be the cause of lack of health related awareness among the Nepalese people. As the amount of remittances inflow in Nepal is more or less equal to annual budget, Nepal's economy is assumed as remittance based economy. This sort of remittance based economy can bring negative impact on entire economy any time as the amount of remittance inflow depends on policy of destination country rather than its own. Therefore, for sustainable economic development government of Nepal should hold their young citizen within the origin country as far as possible, if not, professional training should be imparted to the workers before sending them abroad.

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