8. THE EFFECT OF COVID-19 ON REMITTANCE ECONOMY OF NEPAL

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Abstract

Remittance in Nepal before Covid-19 outbreak was the largest source of microeconomic stability since it has contributed 26 percent of total Gross Domestic Product. Indeed, it is a principal income of the workers’ household since 55.8 percent of the Nepalese households have been receiving. As expected, the potential inflow of remittance after Covid-19 decreased massively and it has unprecedented adverse effect on the overall Nepalese economy, downsizing from national level income to everyday living patterns of rural Nepal. The paper aims to analyses the present economic condition based on qualitative review. It is a qualitative review of literature presented in reference. This study has scrutinized the primary level effects of Covid-19 in the remittance economy and figured out its chain of effects on key socioeconomic elements. Moreover, this study has revealed the role of remittance in Nepal and its primary level potential effects from national level to socioeconomic life of rural Nepal. The reports published from Nepal Rastra Bank, Ministry of Finance, other authoritative agencies, and previous research works have been appraised.

Keywords: Covid-19, Remittance, Microeconomic, Socioeconomic and Livelihood.

Introduction

The covid-19 pandemic has severe impacts in remittance, micro economy, socio-economy and livelihood of the people. The study analyses the effect of covid-19 on remittance economy of Nepal. The contribution of remittance in the balance of payments has befitted significantly
(Gaudel 2006), and in national accounts, it is being the biggest bulk under the current account. Truly, it has the capacity to retain the surplus in balance of payment whilst the transaction of goods and services has prolonged massively negative in international trade. Assessing the impact, Regmi (2012) argued that the remittances are supplementing to recover trade deficit. Besides Nepal, ILO (2014) mentioned that the South Asian countries have a positive impression on the inflow of remittances to maintain microeconomic stability. Analogously ILO’s claim, Craigwell et al. (2010) affirmed that inflow of remittance has grown dramatically, and in developing countries, it has constituted the second largest source of repatriations after FDI flows. In this sense, the relations among remittance and economic volatility has intertwined and impacted significantly on economy.

Besides national level, the rural livelihood is being easier to fulfill the necessities, and it is enabling capabilities of national assets and activities for a means of living in rural areas (Pandey 2017). A livelihood cannot become sustainable when it cannot cope and try to recover the stresses or shocks, maintain or enhance its capabilities and assets, while not undermining the natural and local resources. Besides to local livelihood order, remittance is being a major cause to spillover impacts of globalization. In this sense, remittances have been seen as a multiplier factor, thus this study has been highly significant to understand the influences and behavior of remittance.

An outbreak, Coronavirus Disease (Covid-19) originally appeared in China ahead of the New Year eve of 2020, which later created the most terrible situations spread over as the biggest enemy of humankind on the planet. Due to the effects of Covid-19, all the powerful nations have intended to protect their humankind since there is no doubt that they may not be in a position of economic comfort. As an effect of Covid-19, remittance inflows in Nepal is expected to fall dramatically which has predicted to fall globally about 20 percent (World Bank 2016) that have started immediately along with lockdowns. This decline is the sharpest drop in recent history: most notably in Europe and Central Asia by 27.5 percent, Sub-Saharan Africa by 23.1 percent, followed by South Asia 22.1 percent, the Middle East and North Africa by19.6 percent, Latin America and the Caribbean by19.3 percent, and East Asia and the Pacific by13 percent that attributes the largest fall in the movement of migrant workers. Until now, remittance in Nepal is an indispensable lifeline and played a pivotal role in uplifting the rural life from poverty. However, the situation is seen very doubtful that the crisis may allow Nepal into a pandemic as well as adversely affect the economy.

Human life cannot become defensible whilst it cannot cope and try to recover from the stresses or shocks and maintain or enhance its capabilities and assets. In livelihood order, remittance is a major cause to spillover impacts of globalization. In this sense, remittances have been seen
as a multiplier factor, as Gaudel (2006) indicated, it has multifaceted impact on socioeconomic development. Thus, this study has significance to understand the influences and behavior of remittance regarding understand the level of effect of Covid-19, since it has scrutinized the primary level effects of Covid-19 and figured out its chain of effects on key socioeconomic elements.

For tracing the potential characteristics of remittance after Covid-19, the empirical data and reports of Nepal Rastra Bank, Ministry of Finance, and other authoritative agencies like International Labor Organization and World Bank have been appraised to respond objectives. The pattern and trend of remittance and its relation with current account and balance of payment concerning remittance effects on microeconomic status before and after Covid-19 outbreak has been analyzed.

**Objective and Method**

To analyze the pattern and trend of remittance and its relation with current account and balance of payment concerning remittance effects on microeconomic status before and after Covid-19 outbreak the study has been designed. The study is a literature based qualitative review. It is a review paper based on the available relevant literatures presented in reference.

**Discussions**

**Remittance Inflows in Nepal**

Youth Migration from Nepal for employment has been enduring the main force of global labour market and has been contributing a vital role to national economy, economic growth and poverty reduction (Huay & Yasmin 2018; Masron & Subramanian 2018; Gaudel 2006). The average growth rate of the remittance was 25 percent per annum for the last 10 years in the range of 42 percent to 9 percent (NRB 2016). The growth rate of the remittance is unstable, and it has been volatizing in high tendency. Due to rapidly changing behavior, the effect of remittances on microeconomic indicators has been shocking to predict. Exploring the export management approach as envisaged in the development plans, policies, and programs, Regmi (2012) specified that the export sector in Nepal may not have received due attention and as a result. Candidly, the Nepalese economy has not received energetic welfare from the exports sector, and the growth of exports has seemed to be limited. In this context, the high level of increment in imports of goods and services, limited increment in exports, and stunted growth of remittance inflows have demoralized the surplus of the balance of payment in a national economy. Exploring the livelihood effect of remittance in Trans Himalaya regions, Pandey (2017) assorted that remittance today is being long-drawn-out source comprising other sources like farming and livestock ranching and laboring along. Unequivocally,
the inflow of remittance in countryside is distressing occupational patterns of the rural economy.

It appears as a component of a national economy along with a factor to change the cultural consequences as well as a key component that harmonizes the sways of global impact at the local level.

Migration from Nepal has been formally started after the Anglo-Nepal Treaty of Peace and Friendship, 1950 where British Colonial regime first started to recruit Nepalese youth to fight on their interests of geographical expansion (Piya & Joshi 2016). The authors further clarified that it was institutionalized through the recruitment of Gurkha soldiers. Apparently, the recruitment of the Nepalese citizen was forceful especially the male soldiers from the mountain region initially, and after World War II, the recruitment plan of British Government continued and Indian Government followed after the British left. Instead of migrating youth, the performance of remittance was not being recorded in the formal way and remittances became a part of the component of foreign income source in a high rate of increment after 1995. Faithfully, the significant connection between rate of migration and growth of remittance has increased, and later the shares of the remittance has become stronger to impact on macroeconomic perspective.

Attributes of Remittance in Nepal

In ratio of Gross Domestic Product (GDP) and Remittance, Nepal was in second position with 29.6% after Kyrgyz Republic in 2015/16 (World Bank 2016) and fourth position with 15.1% in 2017/18 (MoF 2018) in world registered by grasping as a significant impact of the remittances in to national account. The remittance in Nepal has a positive impact on GDP and the inflows of remittance become principal sources of external financing and contributing as a factor of microeconomic stability (Aggarwal et al. 2011). Besides exports and grants, remittance appears to be the most relevant variables to increase nominal GDP in this landlocked country (Gaudel 2006).

As of Fiscal Year (FY) 2014-15 end, 3.9 million Nepalese citizens (14 percent of total population) have gone out of the country on the work permit (NRB 2016). As the results, Rs.709 billion remittances have been received in the year FY 2014-15 that was Rs.2.15 billion in 1995-96 and 129 billion in 2006-07 (NRB 2016; MoF 2018). In the amount of remittance received, Nepal is the twenty-third position in the world. Similarly, the average remittance per worker is Rs. 532,000 per year and its equivalent to Rs. 44,333 per month (NRB 2016). The evidence demonstrates that labor migration and their remittance is being better earning alternatives for unskilled and semiskilled youths. The earning from employment migrants is being more attractive rather than average Nepalese household income in the country.
Quantifying the impact of remittance to major financial indicators, Aggarwal et al. (2011) signified that if the remittance has repatriated through banking channel, it might have a positive impact on recipient countries’ advancement. In this sense, not only on monetary aspects of national level, there has a significant association between the remittance and financial sector development that designates the status outlook of corporate economy of the country (Aggarwal et al 2011). Similarly, Craigwell et al. (2010) proved that there is a significant connection between rate of migration and growth of remittance which shares the remittance has a highly impact on macroeconomic perspective and volatility. Faithfully, the rate of remittance is fluctuating and not stable, but high impact into national accounts as well as rural socioeconomic systems.

The rural livelihoods have been strictly connected with remittance behavior of migrants in Nepal, however, the understanding of researchers and policymakers are quite lying to recognize the role of remittance for financial development that remains unexplored. Gaudel (2006) highlighted that more dependency of the economy on remittance might be harmful because the inflows of remittance might decline due to the world economic and employment crisis inviting the condition beyond the control. In the unconditional situation, the government should have to pay more attention to fulfill the gap of the remittance from other sources of income. Besides to recover the current account balance, the government should raise the capacity to create employment by increasing opportunities in the country to stabilize the workers.

Likewise, the household receipt and size of the remittances are varied according to the migrant’s destination, excluding the remittance characteristics of migrants who are working in India. Examining the effect of remittances on household expenditure patterns, Thapa and Acharya (2017) explored that coping with economic shocks, repatriated income has a significant impact to maintain household expenditures. Instantaneously, with the increased numbers of workers, the volume of remittance is increasing over time and being an important source of a household’s economy. Especially youth from some destinations like America, Australia, Europe, Japan and South Korea have higher earnings compared to gulf migrants. Besides the Nepalese context, the remittance growth rate of developing countries has seen a downed fall in 2015 due to economic weakness, and downfalls in oil price as well as Russia and the United States of America depressed. However, in 2016 and 2017, the volume of remittance has been expected to rise in developing countries (World Bank 2016). It means the size of remittance depends on the international economic situation, geo political situation and production. Nepal as well as some of the developing countries have received substantial remittances that are imposing forms of exchange controls to limit currency depreciation. It was obstructed by the growth of unofficial markets, where the domestic currency is traded at a more depreciated rate than in the official market.
The meaningful interaction of remittance and human capital helpful to mitigate the poverty line through making significant decisions through allocation of the resources (Huay & Yasmin 2018). In particular, the most astounding return in favor of pro-poor should a disbursement of the available resources in an incremental participant of unrepresented people in the course of investment of remittances. Analyzing the relationship between remittances and poverty through the human capital channel, Chong & Yasmin (2018) further asserted that the role of remittances in reducing poverty should not be overemphasized particularly in the developing countries, and education is vital in these countries. Confidently, in the developing countries, remittance has split over impact on education level and well-living standard sense positive impact on per capita income of individuals (Adams 2009). Truthfully, the developing country can take huge benefits through mobilizing the inflows of remittance by equipping educational infrastructure and opportunities.

**Influences of Covid-19 on National Economy**

Remittances inflows in Nepal have declined due to Covid-19 outbreak and there is not ensued a detail assessment of the numbers of migrant workers who are losing their jobs. Around 56 percent of the Nepalese households are partly dependent on remittance that is playing a vital role to scale them up from the line of poverty. Similarly, ADB stated that Remittance is an important channel of income for the South Asian economy including Nepal, it is critical to keep in mind the natural omissions and simplifications. The migrants’ households are using the amount received from the remittance to educate the children in boarding school, fulfill the daily needs, buy land and invest into their small business. Due to the pandemic, the declining remittance inflow in Nepal is comfortably stretching to migrants’ households to cut off their expenditure.

There is no signal of rapid recovery of the global economy that results in the decline of the remittance to be short-lived. By losing the jobs, many migrants are expected to return to Nepal, initially from the Gulf region. After the outbreak, from mid-February to the end of March, just before international flights were suspended, around 67,000 migrant workers had already returned. In future, the number of the returnees in Nepal will increase which results in the remittance inflows more declining than expected.

After Covid-19, Nepal’s remittance inflow is expected to fall by as much as 29 percent in 2020 (Koirala & Acharya 2020) due to the impact of Covid-19 on International Migration, Recipient Households and Remittances. According to World Bank (2016), an estimated $2.32 billion inflows in Nepal could decline which allows the worst situation to fulfill the gap of sources to active and balance the economy as well as economic activities and living standards of workers’ households. Besides of declining the remittance inflows, the returnees after losing jobs on the migrated country
has been massively increasing which significantly attribute the level of inflows in near future, in this shortage, the workers’ households have expected to fall into poverty and they would be unable to fulfill their basic demands like education and health. The condition has seemed to allow a long wave to the overall economy and Nepal’s GDP. Immediately after the pandemic, remittances in Nepal dropped with a short scale of around 15 percent compared to the corresponding period of previous year.

After the declining worldwide economic activities and dropping the oil prices, especially the Gulf countries have started to rely on workers. The situation hits Nepal’s economy and the Nepal government has been unable to manage the effect of the pandemic to normalize the international labor market inventing new potential territories. Not only in Nepal and but also across the world, remittance has expected to decline until the end of this year and covid-19 arises the loss of employment almost in developed countries too. After Covid-19 outbreak, around 2.7 billion workers were affected which was 81 percent of the total global workforce (ILO 2014). Since the impact of Covid-19 is being felt all around the globe and hits overall economic activities in all countries. According to ILO’s predictions, the numbers of drops from the employment market could significantly increase and exceed up to 305 million full-time workers until the second quarter of 2020. Similarly, one-third of the remaining workers also have a high chance of losing jobs who are working in non-agriculture sectors. The most influential sectors are retail, trade, accommodation and manufacturing.

In Nepal, the level of poverty and inequality of workers’ households has largely depended upon the incident, maturity of migration process and conditional impacts of the remittance (Acharya & Gonzalez 2012). In comparison with the level of migration, the inflows of remittance seem too small in amount, and that is inadequate to improve economic standards of recipient families (Wagle 2012). In some cases, poverty is recovered by yielding the buying capacities of the poor from the remittance. The gap of the distribution system of the income is marginally diminished except some of the conditions because skill migrants are receiving more than the lower skill migrants, and resulting in an uneven distribution of income.

In spite of the positive impact on the economy, the remittance has significantly affected the change in trade deficit, but had little effect on the changes in exports (Tuladhar 2014). The increased remittance has hard-pressed the balance of payment in surplus practically, however, supported by consumption patterns, imports and low productivity. Self-entertaining with remittance, the rural households are being much more dependent on remittance (Sharma 2017), and this trend ultimately forces them to leave their profession especially in farming. In this backdrop, Tuladhar
(2014) further explores that the proper use of remittance might be a good implication for the policy-makers and planners to encourage exports by investing the imported goods into productive sectors for the overall economic development. Realistically, there is a rational contribution of the remittance in the economic stability, but more causality on the consumption as well as the import pattern, and less on investments. Thagunna & Acharya (2013) argued that rationale of channeling the remittance funds into the productive capital; mainly the public infrastructure is the need of nations. The remittance in this post-conflict country is balancing one side to the national economy, nonetheless, adversely affects pastoral households to push them towards maintaining higher living standards. In this condition, the remittance has been enabling a capability to consume high perishable products destroying natural preserves and promoting the activities against sustainable development.

In almost all part of the landscape horizons of the countryside is agriculture-based, although the villages are vacuuming of mannish and rest members must manage their household. The productivity in mountains and hilly zones is decreasing and the remaining livelihood capital is being insufficient to generate the necessities (Pandey 2017). The low productivity in hilly portrait areas and rapid urbanization are the results of overdependence on remittance. The Trans-Himalayan livelihood is at risk because the optimum profit from the utilization of major capital sources like human, financial, physical, social and natural of these zones is returning for urban city (Pandey 2017). This situation has led to uninterrupted migration of the people, and risk of vulnerability of the life of such zones, with continuous same socioeconomic situations and systems. Besides permanent migration in highly ecological zones, women are suffocating and facing both increased drudgery and increased decision-making responsibilities due to absence of man.

They gain confidence in handling these affairs and in managing community life but constraints remain. Having Hinduism most in population, women cannot abandon all rituals and many cultural reasons, take over certain tasks, such as plowing, and there is a shortage of male laborers who could do it for them. This may help explain the decrease in the size of farms, agriculture occupation and farm income, which is compensated for by increasing off-farm income. Thus, remittance is not only stable in the position of the country’s benefits but also against adherence to the intergenerational cultural transform practices.

At the household level, the remittance has a positive impact to radicalize advantages into the society from long-term perspectives, but the relationship of the impact of remittance in between economy and socioeconomic development is self-contradictory (Vogel & Korinek 2012). The increasing expenditure pattern in the household’s level of workers has created dependency.
because the migrants have to continue living abroad to keep up their livelihood. This situation leads the distraction of a family member who is far not only into Dashain and Tihar but also in a critical time for fulfilling filial obligation like to death or in an urgent. In this sense, remittance has been not only a means of carrying money but also a coffin culture where a body came back a closed box. It is a heart touching stance of this multi-diversified cultural country; one far from home and possibly coming back into a plastic-wrapped coffin box.

Reviewing the pattern of application of remittances, the average living cost of remittance recipients and non-recipient households has seen varied and found the marginal difference in expenditures behaviors among such people majoring on consumption goods and few in investment (Thapa & Acharya 2017). However, the investment also has gone into buying durable goods, which appears on positive impacts to increase the imports ultimately. In this context, 79 percent of total remittance is used for daily consumption. Out of total, only 2 percent of total remittance is used for capital formation (CBS 2011). In contrast with CBS’s NLSS Household Survey 2010/2011, 44 percent of remittance has been used for buying goods and services and 32 percent households have aimed to buy land and home out of total workers’ remittance (NRB 2016). Ultimately, the imported raw materials to build the houses have increased in comparison to local raw materials and this situation also leads to increased imports. The evidence proves that most of the received amount of remittance had gone to consumption along with low productivity. In the import, Nepal’s trade with India covers two-third of total trade. Likewise, the households in this landlocked country appear primarily to use this income to buy goods and services from India. The remittance also has hit to make the trade deficit with India first and then other countries too. The Similarly-named other side, the increase imports not only hits goods’ import and trade deficit, but warmly welcomes globalized imitations to hip-pop culture harassing local, typical and flock music.

Having a positive impact on GDP, remittance has played a central role in increasing consumption. Nearsighted growing dependence on remittance of household expenditure, Sharma (2017) specified the split-over effect that it has also led to moral hazard and the Dutch disease phenomena, since it has hollowed out of adult, productive household members and creating inefficiency in farm production due to shortage of labor and income substitution. Truthfully, the remittance has countersigned for increasing imports, resulted in a massive trade deficit and forewarned the export sector of the economy as well as declined unproductivity in rural life. Indeed, being a massive use of informal channels, the remittance received from India has low wedged in national accounts. The remittance payment from India also seems lower in average than from other countries. This is due to the larger participation of the poor in the Nepo-India migration process. Correspondingly, the region-wise deviation of remittance has seen highly that having higher levels of migration of
particular area has accommodated high inflows, and others have lower in proportion (Acharya & Gonzalez 2012; Lim & Basnet 2017). This condition has decreased inequality and has the largest impact on poverty reduction in somewhere and inequality in somewhere too.

The variation in the inflows of remittance has increased inequality in society, and inflows have varied due to types, levels, and destinations of migrants (Bhandari 2016). The variation on the inflows is creating a complex to use such remittance on poverty alleviation and human capital development. According to NRB (2016), Karnali and Sudurpaschim provinces are lower remittance receiving zones first and second respectively. In this sense, the variation in the amount of remittances of migrant households has made it difficult to determine the utilization of remittances from the perspectives of socioeconomic development. The people from the pro-poor have no option to choose countries other than close neighbor India. These conditions seem that the socio-development condition of the country affects the migration pattern because the Karnali and Sudurpashim are unable to create quality in type, level and destination for their youth. The above discussions substantially prove that the character of remittance itself has been affected as multi-influential elements.

The visible and spillover impact of the remittance in rural Nepal is growing that the family expenditure in education, living standard, desire of employment and expected earnings is varying. Besides its changing pattern, the traditional occupation from the rural is replacing and outgoing. Similarly, in the sustainable livelihood perspectives, the present situation of remittance in Nepal is not impressive since it has been denied for using typical Nepalese products, services, patterns, expression or any kinds of ‘Made in Nepal’ identities. It proves that any types of change in the situation of remittance inflows in Nepal adversely affects the overall economy and allows the worst scenario that may be caused by internal or external factors.

In this sense, remittance has a positive-influential impact on; GDP has increased, poverty has decreased, socio-development level has improved. Likewise, remittance causes a split over impact on family expenditure in education, living standard, desire of employment and expectation of earning. Besides an advance support on balance of economy, remittance has led to consumption patterns and over emphasized unproductive sectors. Retaining on foreign employment incentives, the traditional livelihood pattern in rural is substituting, and their life is being more dependent on remittance. In this sense, from the perspectives of sustainable livelihood perspectives, remittance has denied to consume typical Nepalese products, services, patterns, expression and or any kinds of ‘Made in Nepal’ items.

Besides the positive impact on financial and human capital development, remittance has a
negative impact on country productivity. The binary impact of remittance is undermining: its dynamics and pain-stretching effects. To mitigate binary influences, skilled migrants should have foreknown, retained and revolved them as per the demand of the national and international market. Moreover, the use of remittance to productive sectors to diminish growing dependency on imported products, and to gyrate or increase constructive contribution is not being as expected. Nepalese migrants are getting a very low scale of earnings due to absence of skilled workforce and illegal migrants. To stop over unskilled labor supply and mitigate casualties on foreign workplace, the nation has responsibility to prepare skilled human resources. The promotion of the export through the use of remittance is underestimated: if possible, retaining the workers to national development objectives engaging them into the country after one-time migrant should have an effective strategy to generate productive results. Along with skilled migrants, the effort of the country is seen inadequate to block the informal channels for remittance and evade the illegal migrants. The remittance policy as a visionary document is needed to formulate comprising pro-poor migration strategies and to promote foreign employment by inducting and adhering to the policy of economic diplomacy. Development is normally known as economic development (Badal, 2017).

The saving plan and scheme should initiate offering profitable projects with multiple investment portfolios for the workers, however, the role of government is inadequate to preserve advance level of benefits from foreign employment through economic diplomacy. The government’s commitment is essential to institutionalize the benefits in multiple extents from worker to national level. The stable inflow of remittance is essential to stand to save rural livelihood sustainably. The inadequate effort to create investment friendly climate in the nation is a cause of not being optimum utilization of the remittance. Thus, an investment basket fund through remittance may a practical initiation to transform the repatriations into productive investment for the nation. Likewise, the government’s effort is seen insufficient to foster the proper training policies, capacity development plans, investment options, retaining options, etc.

Findings and Conclusion

The pandemic has hit unexpectedly millions of Nepalese migrants with potential of greater susceptible and left them in an unemployment world. The restriction on worldwide travel, seal on borders and nationwide lockdowns in different parts of the world resulted in many Nepalese workers having no hand support. This pandemic has affected all aspects of human life and has hazarded the health and economic crisis substantially.

The overall finding of this study has sought to examine how the Covid-19 has affected Nepalese
workers in different destinations, and more focus, in particular, the Gulf countries, Malaysia and India. It is clear that this pandemic has had painful effects on their households and families. Besides loss of their jobs and having no or partial payment of wages, many workers are left with no option to get necessary services for their sustenance including medical check-ups and treatment. Many of them have also suffered from different types of illness, discrimination and racial blame that they are tortured and are prompted with psychological stress. In this situation the remittance inflows from overseas are definitely in short and there is no opportunity to scale up the volume of repatriations.

The inflow of remittance is entering into Nepal as in a character Keynesian thought: direct impact in additional consumption of the goods and services and the second round effects of multiplier is seen to have a quite lower impact. Thus, the inflation has reached day-to-day from the adverse impact of remittance. In order to create a capital stock, the poor utilization of the government budget has created vessels to convince remittance to investment. Similarly, the inadequate institutional framework and the carelessness to improve on policy have resulted in a shrinking of the exports sector. The interest of the government to surge in real sector contribution on GDP, reform domestic investment environment and spur growth in a safe of the national economy overdependence on remittances is not seen proper cultivating. The government is accountable to mitigate cost of migration, create greater information outreach, install appropriate information system mechanisms, and nurture better efforts to lessen the increasing inequality of income in remote areas of economic disparities.

Every year around half a million Nepalese enter the labor force. Many people within the country having lost or likely to lose their jobs, and thousands of migrant workers expected to return from abroad due to the Covid-19 crisis, it has predicted that there will be a rapid rise in unemployment in the country. The government has announced plans to create 700,000 jobs in the fiscal year 2020/21, however, it has remained a plan due to massively hit by Covid-19. A task force has formed to study the impact of Covid-19 on foreign employment and economy which has reported that the government needs to create at least 1.5 million jobs to accommodate the new workforce and avoid an imminent unemployment crisis.

Adverse impacts on domestic income from industry, some of services and tourism sector have been predicted to undergone at coma. Similarly, small and medium enterprises have been reported to be the most affected, with around 60 percent of those employed in this sector having lost their jobs. It is also estimated that there will be a huge rise in the price of consumer goods. The wholesale and retail sector, which had contributed 23.1 percent to Nepal’s GDP in the fiscal year
2018/19, has already seen a drastic reduction in imports. With such an outlook, there is a high risk of inflation caused by the fall in aggregate demand and resulting deceleration in spending, spurring a downward pressure on the market. The economic fallout as a result of the outbreak has already started to surface in a number of sectors like tourism, trade, logistic supply and entire service industries like tourism, aviation and the hospitality domestically.

Implications

Based on the pragmatic view and implication over multilevel influences of the remittance, some of the key policy level interventions are suggested. The effort of the government should foresee, retain and revolve the skill migrants and stopover the unskilled labor migrations to regain the size of remittance inflows in volume. Along with to keep skilled migrants, the effort of the country should need to block the informal channels for remittance and evade the illegal migrants. To support stable inflow of remittance disbursement pattern for rural livelihood, to promote foreign employment by inducting and adhering of economic diplomacy outside of the Middle east, to utilize remittance into productive sectors, to diminish growing dependency on imported products, to gyrate or increase constructive contribution, to promote the export and make effective of budgetary disbursement, the remittance policy should need to revise or reformulate comprising the government’s commitment.

From the perspective of recurrent issue of Covid-19 effects on remittance economy, financial support to families of the marginal level of workers and relief from the burden of loan is essential to address. For such an arrangement, the concessional rate of interest from the bank and financial institutions should be managed. Another critical issue is to manage the returnee’s workers, that is most essential from the perspective of revitalizing the economic activities and fulfill the basic needs of their livelihood along with national productivity. Since the financial arrangement for the returnee to involve them in production is essential who have chosen to stay in Nepal and do productive works within the nation.

At the policy level, a concrete fundamental framework should be initiated which ensures the workers to involve them for employment. Government may provide dignified and productive employment opportunities for all citizens within Nepal, especially focusing on youth and small entrepreneur with different types of employment program should be implemented effectively. Focusing on domestic economy and creating jobs at local level, heavily invest in infrastructure development, agriculture, manufacturing, construction as well as tourism sector from the viewpoint of long-term perspective.
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