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EMIGRATION FROM NEPAL AND ITS IMPACT ON THE ECONOMY

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Executive Summary

This report explores how increasing emigration from Nepal has multifaceted impacts on its economy and human development. Considering that 1.67 million Nepali citizens emigrated in 2024 and that remittances account for nearly 25% of its GDP, emigration presents opportunities as well as challenges. On one hand, remittance inflows from abroad have bolstered household incomes, shored up foreign exchange reserves and expanded access to education and healthcare; on the other, the predominance of remittance-funded consumption over productive investment threatens to entrench an unsustainable economic dependence on migration earnings. Concurrently, severe brain drain has depleted critical sectors like health and education, while labor shortages and abandoned farmland are undermining agricultural productivity. The report advocates that Nepal must prioritize economic diversification and structural reforms. Current policies, largely focused on facilitating labor export, fail to address the urgent need for domestic job creation, skilled workforce retention and reduced vulnerability to remittance fluctuations. Without strategic intervention, the country risks perpetuating a cycle of emigration-driven stagnation.

1

Introduction

In 2024, around 1.674 million Nepalis left the country for various reasons, including 66,835 who obtained permanent residence abroad (Department of Immigration, 2025). This surge in emigration presents opportunities and challenges for Nepal. Remittances—now accounting for 23% of the gross domestic product (GDP) have strengthened sectors like education and healthcare, improving livelihoods for the recipient families (McAukuffe and Qucho, 2024). However, the large-scale departure of a young population has also led to labor shortages, a declining skilled workforce and concerns over long-term economic growth and social stability.

While emigration has long been a feature of Nepal's socio-economic landscape, the increasing trend of its youth seeking education and employment abroad raises pressing concerns. Although remittances provide short-term economic relief, the loss of skilled labor is hampering innovation, productivity and sustainable development. This has contributed to challenges such as abandoned farmland, gaps in critical industries and demographic shifts that could undermine Nepal's future stability.

This paper examines the broader implications of emigration by analyzing macroeconomic data, existing literature and household surveys. While acknowledging the benefits of remittances, it highlights the risks of the overdependence on remittance and other structural vulnerabilities of a remittance-driven economy. The study emphasizes the need for policies that retain human capital and promote sustainable development, to ensure Nepal's long-term economic resilience.

2 History of emigration in Nepal

As indicated above, emigration in Nepal has a deep-rooted historical context, driven by a complex interplay of push and pull factors. These factors include low agricultural productivity, poverty at home and the allure of trade and employment opportunities abroad, particularly in neighboring Tibet and India (K. C. & Kharel, 2018; Mishra, 2003). Early emigration was primarily motivated by subsistence-driven push factors such as land scarcity and poverty (Ojha, 1983). However, modern emigration is increasingly driven by aspirational factors such as better education and global opportunities. emigration has created a ripple effect, enabling access to modern education, financial resources, global networks and new information, while also boosting the confidence of individuals and communities. This, in turn, has reinforced the cycle of new emigration, perpetuating the trend further. In Nepali society, as in many others, emigration is heavily shaped by the influence of social networks. These networks, built by early emigrants, have made the process of emigration easier and more appealing for those who follow. They provide essential resources such as accommodation, information on job opportunities, visa procedures and living conditions and documentation. In some cases, they even offer financial support to new emigrants. This established support system has played a key role in encouraging and facilitating the ongoing trend of emigration (Bohra & Massey, 2009; International Labor Organization, 2022; Oosterhoff et al., 2022). Broadly, we can categorize Nepal's emigration into four different temporal phases with distinct pulling and pushing factors, destinations and respective policy factors (Table 1).

Table 1: *Phases of Nepali emigration*

Period	Drivers (Push & Pull Factors)	Major destinations	Policy shifts & influences
Pre-1950	<ul style="list-style-type: none"> • Subsistence farming, trade and military recruitment • British colonial economic expansion 	Tibet, India (viz. British India)	<ul style="list-style-type: none"> • Treaty of Thapathali (1856): Formalized Nepal–Tibet trade relations • Open Border with India (1950): Free movement due to historical ties • Gurkha recruitment in British Army: Since 1816 (Sugauli Treaty)
1950–1990	<ul style="list-style-type: none"> • Post-Rana regime economic stagnation • Limited job opportunities in Nepal • Demand for labor in India and UK military 	India, UK (Gurkha soldiers)	<ul style="list-style-type: none"> • 1950 India–Nepal Treaty: Formalized open border and employment rights in India • 1985 Foreign Employment Act: First legal framework for overseas labor migration

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1990–2010	<ul style="list-style-type: none"> • Maoist insurgency (1996–2006) • Economic liberalization & Gulf boom (1990s) • Decline in agricultural jobs 	<p>Gulf (Qatar, UAE, Saudi Arabia), Malaysia, South Korea</p>	<ul style="list-style-type: none"> • 2007 Labor Reform: Regulated foreign employment, mandatory permits and worker protections • Bilateral agreements with Gulf nations and Malaysia (e.g., 2008 Nepal–Malaysia labor pact)
2010–Present	<ul style="list-style-type: none"> • Youth aspiration for higher wages & education • - Diversification beyond unskilled labor • - Strong diaspora networks 	<p>USA, Europe, Australia, Japan, Korea, GCC countries</p>	<ul style="list-style-type: none"> • 2019 Foreign Employment Policy: Focused on skilled migration, safety and anti-trafficking measures • Restrictions on women migrants (e.g., Gulf bans lifted in 2023) • Rise of labor quotas (e.g., JITCO in Japan, EPS in Korea)

2.1. Nepal's liberalization converged with globalization in exacerbating emigration

The economic and political structural orientation of Nepal, especially after the 1990s, has converged with liberalization and globalization, inspiring remittance-driven emigration among Nepalis.

Nepal experienced a shift in production from agriculture to services and manufacturing, particularly after economic liberalization in the 1990s (Basnett et al., 2014; Singh & Paykuryal, 2021; UNCTAD, 2011). In 1975, agriculture contributed around 65% of its GDP, declining to 40% in 2000 and 24% in 2022. Similarly, in 2000, 75% of Nepal's population relied on agriculture, dropping to 66% in 2022 (Mishra, 2023). Poor productivity, weak competitiveness, high costs, land fragmentation and traditional methods made agriculture less attractive. As education expanded, the service sector grew, contributing 26% of the GDP in 1980 and 42% in 2022, exceeding 60% in 2024 (Acharya & Acharya, 2025; UNCTAD, 2011). However, due to a weak industrial base, the sector struggles to provide decent jobs (Bhatta, 2014; Kafley & Joshi, 2023). This shift aligned with Nepal's global integration, as foreign service/ manufacturing sectors attracted youth (Acharya & Acharya, 2025; Basnett et al., 2014).

Democratization and liberalization in the 1990s exposed Nepal to globalization, shaping youth aspirations. English proficiency increased as it became compulsory in schools (Khadka, 2022; Paudel, 2024). English symbolized modernity, facilitating job opportunities abroad (Khadka, 2022; Sapkota, 2018; Pandey, 2020). Expanding education, particularly in English, connected Nepal to global opportunities, encouraging emigration. English proficiency eased access to global media, influencing aspirations (Sharma, 2022; Giri, 2015). Additionally, it became essential for examinations, interviews and work abroad (Thapaliya et al., 2023; Tamang & Shrestha, 2021; Sharma, 2022). This educational shift inspired youth to seek opportunities abroad, driven by aspirations for socioeconomic mobility.

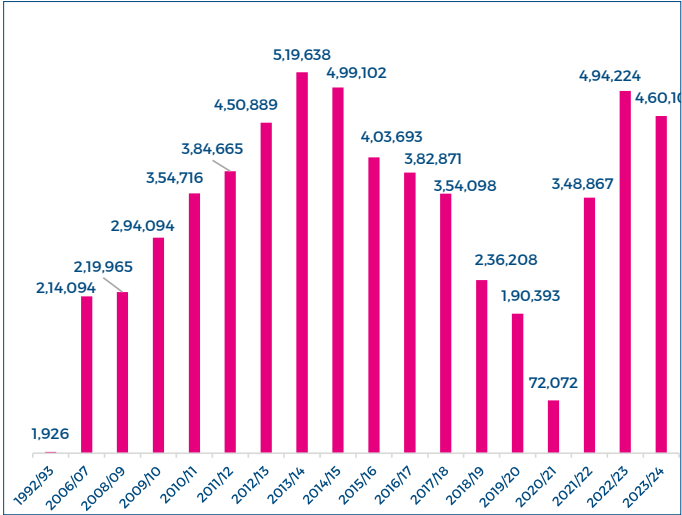
3 Purpose of emigration: employment

The adoption of liberal emigration policies in the 1990s marked a significant turning point for Nepal, leading to a drastic increase in labor migration. This surge in emigration was further amplified by high economic growth and acute labor shortages in Gulf Cooperation Council (GCC) member countries, which actively recruited foreign workers to sustain their booming construction, service and infrastructure sectors (MoLE, 2018). Simultaneously, Nepal's internal instability, driven by a decade-long Maoist insurgency from 1996 to 2006, created an environment of economic uncertainty and limited domestic opportunities, pushing even more individuals to seek livelihoods beyond the country's borders (MoLE, 2018). The combination of external demand for labor and internal socio-political turmoil created a perfect storm, transforming labor migration into a vital economic strategy for countless Nepali households and solidifying it as a cornerstone of Nepal's economy. This period reshaped Nepal's demographic and economic landscape and highlighted the interconnectedness of global labor markets and local socio-political realities.

Nepal's labor migration trajectory over the past three decades reveals a dramatic transformation shaped by domestic and global forces (see Figure 1). In FY 1992/93, only 1,926 Nepalis migrated abroad to countries other than India. By FY 2006/07, this number had surged to 214,094, reflecting a growing reliance on foreign employment. The highest recorded emigration occurred in FY 2013/14 when 519,638 new emigrants left the country for work. Though the years thereafter saw a decline in workers seeking new approvals, the trend remained volatile, influenced by economic conditions, policy changes and external shocks. Emigration remained high in FY 2014/15 (499,102) but started declining in the following years, dropping to 403,693 in FY 2015/16 and further decreasing to 236,208 by 2018/19. The COVID-19 pandemic caused a sharp fall, with only 72,072 new

migrants recorded in FY 2020/21 due to travel restrictions and job losses globally. However, as economies reopened, emigration rebounded to 348,868 in FY 2021/22 and nearly returned to pre-pandemic levels in FY 2022/23 (494,224) and FY 2023/24 (460,102). These fluctuations underscore Nepal’s continued dependence on foreign employment and susceptibility to global disruptions. While migration remains a vital economic pillar, the volatility highlights the urgent need for policies that protect migrant workers and promote domestic job creation to reduce over-reliance on foreign labor markets.

Figure 1: Number of Nepalese workers moving abroad (1992 to 2025)



Source: Ministry of Labor and Employment (2018); Ministry of Labor, Employment and Social Security (2022; 2024)

The data from the Ministry of Labor, Employment and Social Security (2024) indicates that Gulf Cooperation Council (GCC) countries and Malaysia remain the most preferred destinations for Nepali migrant workers (see Table 2). The United Arab Emirates (UAE) accounted for the highest share of new applicants at 28.48%, followed by Malaysia (17.69%), Saudi Arabia (15.89%) and Qatar (8.90%). Kuwait (6.25%) also attracted a significant

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portion of workers. Interestingly, while labor emigration has traditionally been concentrated in the Middle East and Southeast Asia, European countries such as Croatia (3.09%) and Romania (2.76%), as well as East Asian countries like South Korea (2.79%) and Japan (2.28%), have emerged as alternative destinations. Mauritius, a relatively new labor market, also accounted for 1.61% of the new emigrants.

The dominance of GCC countries and Malaysia can be attributed to long-standing labor agreements, high demand for low-skilled workers and relatively more straightforward entry requirements. However, the growing share of destinations in Europe, including high-income countries like Germany, France, Portugal and East Asia, suggests diversifying emigration patterns, potentially influenced by better wages and chances of securing a permanent residence eventually in Europe. Nevertheless, challenges such as high recruitment costs, contract violations and workplace exploitation remain key concerns for Nepali migrant workers, particularly for those in GCC countries and Malaysia. Addressing these issues through vigorous labor diplomacy and worker protection mechanisms is crucial for ensuring safe and beneficial emigration.

Table 2: Major destinations for Nepali workers

Destinations	Number of new applicants	Percentage
UAE	131026	28.48
Malaysia	81382	17.69
Saudi Arabia	73095	15.89
Qatar	40932	8.90
Kuwait	28776	6.25
Croatia	14240	3.09
Republic of Korea	12837	2.79
Romania	12700	2.76
Japan	10500	2.28
Germany	10500	2.28

Mauritius	7397	1.61
Others	47217	10.26
Total	460102	100.00

Source: Ministry of Labor, Employment and Social Security (2024)

¹While the exact number of Nepali migrant workers in Germany remains undocumented, estimates suggest approximately 10,000 are currently residing there for study and work (Bhattarai, 2024). Germany is emerging to be a significant destination for Nepali migrants in Europe, alongside other non-traditional host countries like Croatia, Romania, South Korea and Japan.

4

Purpose of emigration: Higher studies

Alongside migration for foreign employment, many Nepali students seek higher education abroad. The Ministry of Education, Science and Technology (MoEST) has issued 727,099 No Objection Certificates (NOCs) between 2008/09 and 2023/24, facilitating overseas studies. In 2023/24 alone, the MoEST issued 112,593 NOCs (see Table 3), marking a 9.73% increase from the previous year. These approvals covered 111 destination countries, with Japan receiving the highest number of NOCs at 34,731 (30.85%). Canada followed with 14.19%, while Australia (12.76%), the UK (11.85%) and the USA (10%) were also popular choices. South Korea accounted for 6.12%, while the remaining countries collectively received 14.23% of the sum of NOCs. The rising trend in student migration reflects Nepal's shifting aspirations, with students increasingly opting for destinations offering better education and work opportunities. This surge, however, raises concerns about a brain drain, as many students do not return, reinforcing the need for policies that encourage skills transfer and reintegration into Nepal's workforce.

Table 3: Table 3: Top destination countries for Nepali students (in terms of number of No Objection Certificates (NOCs) issued in Fiscal Year 2023/24)

Countries	NOC numbers	Share (%)
Japan	34,731	30.85
Canada	15,982	14.19
Australia	14,372	12.76
UK	13,339	11.85
USA	11,261	10.00
South Korea	6,889	6.12
Germany	751	0.67
Others	15,268	13.56
Total	11,2593	100.00

Source: MoEST (2024)

²WThe share of male migrants dominates the number of migrant workers (89.18%) but the share of female migrants is substantial (10.81%) and rising. In 2013, the share of female labor was below 5%. Contrary to the popular narrative that the majority of migrant workers lack work skills, the figure for unskilled workers remains below 20% at 19.63%. The majority of workers fall under the category of "skilled" (71.78%). The share of professional and high skilled workers remains below 1% (combined). The rise in numbers of workers going abroad can also be linked with the growing number of registered manpower companies that facilitate the emigration process, which has also increased over the past decades to 929.

5 Extent of emigration

The figures discussed above, derived from data compiled by the Department of Foreign Employment—the government body responsible for issuing work-related approval certificates—and the Ministry of Education, Science and Technology (MoESS), which grants No Objection Certificates (NOCs) to Nepali students pursuing higher education abroad, offer a partial glimpse into Nepal's emigration trends. While these numbers highlight the growing scale of emigration, they fail to capture its full extent. A significant limitation is the exclusion of migration to India, a major destination for Nepali workers and students, which remains unaccounted for in these statistics. Furthermore, the data does not include individuals who migrate through informal channels, bypassing government-mandated documents, leaving a substantial portion of the migrant population undocumented and unrecorded. To address these gaps, the Population and Housing Census 2021 provides the latest and more comprehensive estimate detailing the exact number of Nepalis residing abroad for work or study. According to the census report, 7.43% (i.e., 2169478) of the total population stays abroad. Regarding households, 23.34% of all households have at least one member living abroad. Out of the total absentee population living abroad, 82.2% is male and 17.8% is female, which indicates that emigration is male-dominated (NSO, 2023).

6

Implications of emigration on the Nepali economy

The economic impact of emigration on Nepal is often centered on the significant remittances sent by migrant workers to their families back home. In fiscal year 2023/24, Nepal received US dollars (USD) 10.86 billion in remittances, a 14.5% increase from the previous year (NRB, 2024). This places Nepal at 9th position globally in terms of remittance by share of national GDP, accounting for over 23% of the same (McAuliffe and Oucho, 2024). The World Bank predicts that remittance income will stabilize around 25% of Nepal's GDP in the coming years, underscoring its vital role in its economy (World Bank, 2024).

The rise in remittances and a decline in imports have led to increased current account surpluses and a Balance of Payment (BOP) surplus. In FY 2023-24, Nepal recorded a current account surplus of 1.66 billion, significantly improving from the 360.6 million deficit in the previous year. Similarly, the BOP surplus rose to 3.77 billion, up 1.6 billion from the previous fiscal year (NRB, 2024).

Remittances have also boosted Nepal's gross foreign exchange reserves, which grew by 30.4% to 15.27 billion USD in July 2024, up from 11.71 billion in mid-July 2023. These reserves are sufficient to cover 13 months of imports of merchandise and services (NRB, 2024).

These trends highlight the critical role of remittances in Nepal's macroeconomic stability, particularly as other South Asian nations struggle with declining foreign exchange reserves. Remittance has become indispensable by easing foreign exchange constraints, strengthening the balance of payments and stabilizing the national currency. They help Nepal meet its international trade obligations and support the repayment of both long and short-term loans.

However, while remittances have provided significant economic benefits, they have also raised concerns about potential adverse effects. One such concern is the 'Dutch disease' phenomenon, where heavy reliance on remittances can lead to policy complacency, undermining investment and long-term growth prospects (Sapkota 2013, Polat & Rodríguez Andrés, 2019). Additionally, the outflow of capital due to emigration has become a growing issue. In the last fiscal year alone, Rs. 125.13 billion (USD 941.2 million) has been transferred out of Nepal as Nepali students pursued education abroad, highlighting the need for policies to address capital flight and ensure domestic economic development (NRB, 2024).

6.1. Household-level implications of emigration

This section focus on the household-level economic implications of emigration. Migrant workers send remittances to their families back home. The Nepal Living Standards Survey data highlights the growing importance of remittance incomes in Nepali households over the years. Between 1995/1996 and 2022/23, the share of households receiving remittances increased dramatically from 23.4% to 76.8%, indicating that remittances have become a critical source of income for most households. The nominal average remittance amount per recipient household also significantly rose from NRs. 15,160 in 1995/1996 to NRs. 145,093 in 2022/23. The share of remittance income in total household income among recipients has remained consistently high and has increased to 33.66% in 2022/23 from 26.6% in 1995/96. This underscores the pivotal role remittances play at the household level (NSO, 2024).

Data on the use of remittance incomes by Nepali households reveals a strong emphasis on immediate consumption and debt management, reflecting the critical role remittances play in sustaining daily livelihoods. A striking 72.4% of remittance income is allocated to daily consumption, underscoring its importance in covering essential expenses such as food, clothing and utilities. This high percentage suggests that many households rely heavily on remittances to meet basic needs, likely due to limited alternative income sources or underemployment within Nepal.

Additionally, 15.8% of remittance income is used to repay loans, indicating that a significant portion of these funds is directed toward managing existing debt, which may have been incurred for migration costs, education or other essential purposes. Together, these two categories account for nearly 90% of remittance usage, highlighting the precarious financial situation of many households and their dependence on remittances for survival and financial stability (NSO, 2024).

Beyond immediate needs, NSO (2024) reveals limited investment in long-term economic activities or asset-building. Allocations for education within Nepal (4.6%) and abroad (0.6%) suggest that while households value human capital development, it is not a primary focus. Similarly, minimal spending on capital formation (1.2%), business or investment (0.4%) and household assets or durables (1.9%) points to a lack of productive use of remittance income. This could stem from limited access to investment opportunities, low financial literacy or a lack of confidence in the local economy. At 1.9%, savings also remain low, indicating that households prioritize immediate needs over long-term financial security. The absence of spending on tourism (0.0%) and the small share for "others" (1.2%) reinforce the conclusion that remittances are primarily used for essential and urgent financial obligations rather than discretionary or growth-oriented purposes.

The Nepal Living Standards Survey data highlights the significant role of remittance income in poverty reduction. The share of households receiving remittances rose from 23.4% in 1995/96 to 76.8% in 2022/23, with the average amount received per household also increasing. This remittance growth correlates with the decline in Nepal's poverty rate, which dropped from 42% in 1995/96 to around 20% in 2022/23 (NSO, 2024). While other factors may contribute to this decline, the substantial rise in remittance income is a key driver in reducing poverty and improving the economic well-being of Nepali households (World Bank, 2024). However, some studies criticize remittance income for fostering a consumerism culture in Nepal, pointing to rising import figures and the widening trade deficit as potential adverse outcomes (Dhakal & Oli, 2020; Ghimire, 2024; Sharma, 2024).

6.2.The sectoral implication of emigration

In this section, we have examined the sector-specific implications of emigration, particularly on agriculture, education, health and other social outcomes.

6.2.1.Implications of emigration on agriculture

Emigration and remittances have profoundly impacted Nepal's agricultural sector, presenting challenges and shifts in land use and labor dynamics. Emigration has caused labor shortages and increased wage rates, making farm management difficult for households, often leading to underutilized or fallow land (especially in the absence of family members), costly hired labor exacerbating the situation (Maharjan et al., 2020; Bhawana & Race, 2019; Thapa & Weber, 1995; Hussain et al., 2016; Adhikari, 2019; Jaquet et al., 2015; Sunam & Adhikari, 2016). In sloped areas, abandoned terraced lands have turned into shrubland and grassland, increasing soil degradation risks (Jaquet et al., 2015; Thapa & Weber, 1995; Khanal & Watanabe, 2006; Schwiilch et al., 2016; Jaquet et al., 2019). Additionally, the feminization of agriculture has emerged, with women taking on the dual burden of household and farm work (Maharjan et al., 2020; Jaquet et al., 2015; Bhawana & Race, 2019). While landless and marginal farmers benefit from lower leasing rates (Adhikari, 2019; Sunam & Adhikari, 2016), rising input costs hinder resource-poor households from sustaining farming (Sunam & Adhikari, 2016; Sunam & McCarthy, 2016).

Remittance income has shifted household priorities away from agriculture, with many families, particularly younger members, showing declining interest in farming, preferring foreign employment (Bhawana & Race, 2019; Ojha et al., 2017; Karki et al., 2020; Jaquet et al., 2019; Ghimire et al., 2021). Remittances have also driven aspirations to purchase residential land in urban areas, inflating land prices and fragmentation for speculative purposes (Sunam & Adhikari, 2016). Contrary to expectations, remittance-receiving households have not invested in productivity-enhancing agricultural inputs or mechanization.

Tuladhar et al. (2014) found that migration exacerbates labor shortages, reducing agricultural yields, and remittances rarely improve farm productivity, highlighting a missed opportunity for agricultural growth despite increased household incomes.

6.2.2. Intertwined impacts on education and the health sector

In Nepal, emigration significantly impacts health and educational outcomes, with complex and often conflicting results. When it comes to education, emigration influences a child's education in two contrasting ways: while remittances ease financial constraints and make schooling more accessible, the absence of parental supervision can negatively impact younger children's academic performance (Jamil, 2017). Raut and Tanaka (2018)'s study on Nepal suggests that remittance income, particularly from migrant workers in Gulf countries and Malaysia, increases the likelihood of children—especially girls—staying in school and completing more years of education. By alleviating financial burdens, remittances enable families to invest more in girls' education, helping address gender disparities. Moreover, the presence of an educated mother plays a crucial role in mitigating the adverse effects of parental absence, ensuring education remains a priority. However, the impact of remittances on education is not always clear-cut; Nepal (2016) finds no significant effect, suggesting that financial resources alone do not automatically translate into better educational outcomes. This divergence in findings underscores the issue's complexity, as the effectiveness of remittance income depends on how families allocate resources; the broader educational environment in which children grow also plays a role.

Likewise, the health sector is experiencing the benefits and the challenges of emigration. Remittances significantly contributed to Nepal's health sector, facilitating healthcare expenditure and enhancing access to health-related facilities, nutrition and preventive care measures (Chezum et al., 2018; Kapri & Jha, 2020). Migration also enhanced knowledge and skills through exposure to advanced health technologies and practices abroad. However, a critical concern alarming this sector is the emigration of health

professionals leading to a 'brain-drain' that possibly undermines Nepal's health sector as it struggles to meet the population's needs (Karki et al., 2024; Rising Nepal, 2024). Additionally, emigration of younger generations contributes to increases in the population of the elderly and demands for geriatric care and associated healthcare spending (Khadka, 2020; Poudel & Gajurel, 2023; Shrestha et al., 2023). Likewise, emigration has also introduced health risks to people, including communicable diseases. For instance, foreign employment returnees contribute to the spread of communicable diseases such as HIV and AIDS, especially in regions outside of the capital (Nepal, 2007; World Bank, 2012). Some health risks among returnees, such as diseases, accidents in foreign territory and mental stress, not only pose a significant public health challenge but also place a burden on families. This intertwined and entangled impact on health and education underscores the importance of a holistic approach to emigration discourse.

6.2.3. Distorted economic priorities

Because of increasing emigration, a remittance-driven economic structure has been evolving in Nepal with complex paradoxes and consequences. First, a consumer-oriented economy has been evolving, which has distorted economic priorities and fueled non-productive consumption. For instance, as shown above, more than half the remittance inflow in Nepal is spent on consumables such as food, electronics and luxury imports; however, just 9% is spent on savings and investments (Ghimire, 2025; Lamsal, 2023). Several studies such as (Ghimire, 2025; My Republica, 2025; Paudel, 2025) have argued that increasing remittance dependence has incentivized the government to push for more migration; the authorities face reduced pressure to alleviate manufacturing and job creation policy weaknesses. For instance, manufacturing competitiveness is continuously eroding with a shrinking industrial contribution to GDP of just around 5%. Furthermore, the remittance-dependent economy has pushed for a massive import surge, exacerbating the trade deficit, which reached Rs 861 billion in the first seven months of the current fiscal year (My Republica, 2025). Therefore, remittance has encouraged the state to focus on exporting its

workforce and maintaining a remittance-driven economy rather than investing in production, innovation, growth and job creation.

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7

Conclusion

The increasing youth emigration from Nepal has mixed economic implications. Remittances help households stay afloat by stabilizing foreign reserves and enabling improved access to technology, healthcare and education. Nevertheless, this temporary solution masks more serious structural flaws. Important industries like construction, healthcare and agriculture suffer from crippling labor shortages that compromise service delivery and productivity. The emigration of young, educated people further depletes human capital, impeding industrial diversification and technological advancement. Rural communities also struggle with ageing populations and weak local economies, which feeds the cycle of reliance on remittance. Current policies overlook systemic changes in education, vocational training and equitable rural development because they are focused on facilitating labor export rather than retention. Nepal must encourage SME growth, modernize its agro-industry and develop its digital infrastructure to increase domestic employment. At the same time, long-term losses could be reduced by utilizing diaspora expertise through knowledge repatriation programs and defending migrant workers' rights through international cooperation. Rebalancing economic reliance on emigration with inclusive, sustainable growth rooted in local potential is necessary to address the economic implications of emigration.

8

Policy recommendations

The preceding discussion emphasizes that while emigration offers short-term economic relief, it also reveals deep structural imbalances that undermine Nepal's long-term development prospects. Addressing these systemic issues requires a shift from reactive, remittance-centered policies to proactive strategies that foster resilience, retain human capital and broaden domestic opportunities. The following policy directions emerge from this analysis as necessary steps to reorient Nepal's development pathway and reduce overreliance on labor migration:

- **Accelerate domestic job creation:** Invest in SMEs, agro-industry modernization and digital infrastructure to generate more diverse types of employment within Nepal, retain human capital and limit dependence on foreign jobs.
- **Reduce brain drain:** Offer competitive opportunities, better conditions and knowledge repatriation programs for skilled professionals and educated youth to stay in or return to Nepal.
- **Maximize remittance utilization:** Encourage remittances to be used productively in investments and savings (through financial education and accessible investment options) instead of mostly consumption.
- **Revitalize agriculture:** Resolve labor shortages and increase farm efficiency with modernization, farmer training and land management reforms to maintain the agricultural sector.
- **Safeguard migrant workers:** Strengthen labor diplomacy, worker protection systems and support services for Nepali migrant workers overseas.

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