Do Return Migrants use Remittances for Entrepreneurship in Nepal?

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Abstract

This study uses primary data of 275 return migrants to assess the use of remittance, probability of entrepreneurship and investment barrier in Nepal. Probit model is employed to examine the likelihood of return migrants becoming entrepreneurs and descriptive analysis is used to understand the remittance use and investment barriers. A major portion of remittance is used for land-plot purchase, daily consumption, loan repayment and housing. Of the total remittance, only 4.44 percent is used for business investment. Probit result shows that overseas saving is the most significant factor influencing entrepreneurship, followed by migrants' qualification, returned time period, and family size. Skills learned abroad do not directly contribute to entrepreneurship. The social structure also influences entrepreneurship. Business investment is playing a positive role to use local resources and create jobs; however, power shortage, frequent strikes, unclear investment policy and an inefficient bureaucratic system are the investment barriers for return migrants.

Key words: Return Migrants, Remittance Use, Entrepreneurship, Probit Model, Investment Barriers, Nepal

1. Introduction

Nepalese people have experienced several political changes except observed economic growth. Development plans are urban-centered and less-inclusive. Almost all economic agents are over-politicized and economic policies are poorly implemented. This is why lack of investment and job scarcity has remained the major economic issues of Nepal for decades.

Work-related international migration is not a new practice in Nepal. The traditional major migration destination was India but it has now shifted toward the Gulf States and other developed countries. Low economic status Nepalese still go to India, semi-skilled young people migrate to the Arabian countries, while highly educated and skilled manpower goes to the developed countries. Recorded work-related international migrants reached about three million in 2012, while there were only about ten thousand in the early 1990s (Department of Foreign Employment [DoFE], 2013). International remittance reached 359.6 billion Nepalese Rupees (NRS) in 2011, that is, 23.1 percent of the total Gross Domestic Product (GDP) (Ministry of Finance [MoF], 2013). International migration is a principal job strategy for most youths in Nepal. There is no doubt that Nepal is a remittance economy. Credit constraint is the principal barrier to investment in low-income countries like Nepal.

This also holds true for an individual person. However, the recent rapid inflow of remittance indicates that many Nepalese return migrants are capable of investing in at least small- or medium-scale businesses. Moreover, return migrants acquire new skills and business ideas from destination countries than non-migrants.

If return migrants enter in the market with innovative products, then it will help to create new jobs, contribute to building a prosperous society. The basic principle of economics is to use available resources (here remittance) in the most efficient way. However, the latest Nepal Living Standard Survey 2010/11 reports that 25.16 percent of the population lives below the poverty line (CBS, 2011a), most remittance is used for normal expenditure (79 percent) while a very small portion (2 percent) is used for investment. The nominal household per capita expenditure except the tenth decile increased by over 120 percent between 2004/05 and 2010/11, but the average real GDP growth rate stood at only 4.01 percent (CBS, 2011b). As a percentage of GDP, the merchandise trade deficit has increased from 13 percent in 1989/90 to 25 per cent in 2010/11. Remittance finances these imports. This scenario increases the real exchange rate but decreases the price competitiveness of tradable goods in the external sector (Sapkota, 2013). Another reality is huge remittance money is used for urban housing and to purchase urban land-plots[2]. Hence most of the remittance is not used in the productive sector in Nepal. Next, the deposits in Commercial Banks are increasing year by year due to huge remittance inflow in Nepal[3]. I argue that this creates a block in the macroeconomic flow. If we do not investment this remittance to establish an industrial base, then future generations will also have to migrate to the extremely hot regions (Gulf States) for their livelihoods.

Under these circumstances, open research questions are: How do return migrants use remittance for different consumption headings? Which factors determine the probability of return migrants becoming entrepreneurs? What are the existing investment barriers in the Nepalese economy from the return migrants' point of view? This study is devoted to answer these questions. The rest of this paper is organized as follows. Section 2 outlines about the questionnaire and data used. Section 3 compares migration costs and income levels in the destination country. Section 4 shows conversion in the work sector during migration. Section 5 observes the use of remittance on different headings. Section 6 presents a selective literature review. Section 7 describes the methodology. Section 8 analyses estimated results. Section 9 assesses investment barriers from return migrants' perspective. Section 10 concludes.

2. Data

This study uses micro-level primary data collected from three districts (Palpa, Dang, and Nawalparasi) of Nepal. Locations were selected by judgmental sampling method; however, return migrants were interviewed randomly[4]. Total 275 returned migrants were interviewed from rural area (Palpa district), semi-urban area (Dang district), and urban area (Nawalparasi district). Additionally, female respondents are also included in the survey to make a representative sample[5]. The questionnaire is both close and open-ended. Survey was conducted by personal interview meeting return migrants. Unit of the analysis is individual person (return migrant). Entrepreneurship is determined by several factors so the questionnaire is divided into three sections to know the returnee's situation before migration, experiences abroad and activity in the local community after returning from abroad. Business investment or an entrepreneurship depends upon the return migrant's demographic characteristics, human capital, ideas learned abroad, geographical structure, and overall doing business environment in the home country. Therefore, in questionnaire, the first section gathers information like migrants' age, gender, birth-place (rural or urban area), working sector in Nepal, education level, migration reason, and total cost of migration. The second section covers types of destination country (India or Gulf States or developed country), income level in abroad, total money saved abroad (overseas savings in the last 10 years), skills learned abroad and length of stay in the foreign country. In the third section use remittance income is categorized into 12 parts as non-durable consumption, durable consumption(electronics and vehicles) health, education, loan repayment, business investment, house construction, land plots purchase, saving, loan repay and others.

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[2] Land plots are land purchased for house construction or business and their value is much higher than normal agricultural lands.

[3] In recent years remittance inflow is approximately more than one billion NRS per day. Hence Commercial Banks' deposits are rising every year. Central Bank is issuing reverse repo to absorb excess liquidity. Reverse repo issue is a monetary policy to sell treasury bills to banks and financial institutions when there is excess cash in the market and fear of inflation. This policy offers less interest rate in deposits.

[4] This survey was performed in three districts' three Village Development Committees(VDCs) where most of the households had at least one migrant and some of them had returned to Nepal from abroad. Survey was conducted in October-November, 2013.

[5] Returned migrants mean those people who worked abroad at least for one year or more and returned to Nepal in the last five years. The return may be temporary or permanent.

If remittance is used in the business investment (entrepreneurship) heading then further information is gathered to know the business type (innovation in that area or new start but not completely new or already owned business expansion), business location (rural or urban area), number of job creation and raw material used (domestic or imported). Finally, the questionnaire also contains existing investment barriers in Nepal. Limitation of this study is 27 of the total return migrants have arrived in Nepal in the vacation period who were planning to return abroad soon but they are assumed as returned migrants.

3. Destination Countries, Migration Cost, and Overseas Income

Table 1 exhibits migrants' destination countries, birthplace in Nepal migration cost and monthly income abroad. There are 16 destination countries in this sample. The United Arab Emirates (UAE), Qatar, Malaysia, Saudi Arabia, and Kuwait are the main migration destinations for Nepal youths. Out of 275 return migrants, 116 were born in rural areas and 159 were from urban areas. The fourth column shows that of the total return migrants, 79 (54.13 percent) migrated to the Gulf States, 43 people went (15.63 percent) to India, 33 people moved (16 percent) to Japan and the remaining left for other developed countries. As shown in the second and third column, the majority of the migrants of rural origin went to the Gulf States and India. In contrast, most individuals of urban origin went to the developed nations. Usually, urban origin migrants' education level and wealth status are found in the higher level than migrants of rural origin are.

There is huge a variation in migration cost and overseas income among India, the Gulf States and developed countries. The migration cost is highest for Japan, Australia, and other developed economies. The cheapest migration cost is to go to the neighboring country, India. The cost of migration to the Gulf States is in the middle range. Migration costs and monthly salary are positively correlated. For example, migrants get the lowest salary in India whereas the highest salaries are in Australia and Japan. Salary per month is about 11 times higher in Japan and 13 times higher in Australia than India. If poor people were able to migrate to the high-wage destinations then income inequality would reduce at a faster rate, but they cannot afford the expensive migration cost.

Table 1: Migrants' Origin, Destination, Cost, and Income

Country	Migrants of rural origin	Migrants of urban origin	Total migrants	Migration cost (in NRS)	Abroad salary/ month(in NRS)
India	33	10	43	2,412	22,744
UAE	18	21	39	95,359	29,769
Qatar	18	18	36	110,305	27,222
Malaysia	19	20	39	107,615	23,667
Saudi Arabia	14	14	29	83,966	26,638
Kuwait	1	6	7	72,143	29,429
Japan	6	38	33	1,023,181	207,117
Denmark	-	2	6	832,667	83,333
UK	-	11	11	831,800	92,272
Korea	-	4	4	62,499	82,500
Australia	1	9	10	910,000	286,000
Norway	1	-	4	748,981	82,499
USA	4	-	7	671,429	104,285
Other*	1	6	7	340,000	88,888
Total	**116**	**159**	**275**		

Source: Field survey data (2013).
*Afghanistan, Singapore, and Israel
- Not available

4. Changing Work Sector during Migration

Table 2 illustrates changes in work sector during migration. Nepal is an agriculture based economy so 103 migrants (37.45 percent) were engaged in the agriculture sector before migration, but only 6 of them(2 percent) worked in the same sector abroad. A marked change is found in the manufacturing sector.

The industrial base is very weak in Nepal so only 7 migrants (2.55 percent) worked in the manufacturing sector before migration, but abroad 85 migrants (30.91 percent) worked in the similar sector. A similar trend is found in the hotel and restaurant sector. For example, 65 migrants (23.64 percent) were students before leaving Nepal, but only 11(4 percent) became student abroad. Changes in work sector are a good opportunity to learn new skills, but an adjustment to the new working place creates many difficulties. The process of learning a skill becomes slower in the foreign country due to language barrier. The company pays less for new workers and life is riskier while operating big machines (see Table 2).

Table 2: Changes in Working Sector during Migration

Sectors	Working sector before migration (number of migrants)	Working sector during migration (number of migrants)
1. Agriculture	103	6
2. Mining and quarrying	1	1
3. Manufacturing industry	7	85
4. Building/road construction	11	28
5. Wholesale and retail store	9	25
6. Transport	10	6
7. Information Technology(IT)	6	7
8. Hotel and restaurant	7	59
9. Financial service sector	5	2
10. Business services	7	6
11. Education/health services	29	15
12. Social services	3	0
13. Student/some part-time job	65	11
14. Other	12	24
Total	**275**	**275**

Source: Field survey data (2013).

5. Use of Remittances

The survey data showed that most remittance income is used for the consumption expenditure. Within the sample, the highest amount (17.84 percent of total remittance) is used to purchase plots of land. Specifically, a majority of return migrants are buying land plots in urban areas as wealth accumulation or sometimes business purpose. I argue that if a few people buy expensive land plots in the urban areas, then it is a simple thing, but if majority of migrants allocate huge remittance income to such plots then it is an unproductive investment for the aggregate economy. It is a blockage in the macroeconomic circulation. The multiplier effect is insignificant in such (only in land plots) investment. Housing expenditure stands at 17.84 percent.

If a house is old or weak, the construction of a new house is necessary goods. However, if we look from a macroeconomic perspective, then construction of many houses for social prestige is not a wise allocation in Nepal, where 25 percent of people are still below the poverty line, economy has no single specialized product in international market, imports even agricultural products, and thousands of Nepalese migrate abroad just for employment. Of the total remittances, 17.12 percent is found to use for daily consumption and 16.57 percent to repay loans. Young returnees use remittances to organize their own marriage and buy vehicles, especially motorbikes. This increases inflation and imports (for instance, most motorbikes are made in India). Saving stands at 8.36 percent, whereas business investment is only 4.44 percent. Of the total remittance, 6.64 percent is spent in the education sector. This is a positive point from the perspective of human capital. Also, 3.76 percentages go to health related consumption. Other expenditure is to support family member's marriage and to enjoy leisure (see Table 3).

Table 3: Use of Foreign Remittance in Nepal

Expenditure headings	Total remittance 2004-2013 (in %)
1. Land plots purchase	17.84
2. Food/drinks/clothing	17.12
3. Loan repayment	16.57
4. House construction	12.67
5. Saving	8.36
6. Education	6.64
7. Business investment	4.44
8. Health	3.76
9. Furniture/electronics	3.47
10. Jewelry	2.41
11. Vehicles	2.18
12. Others	4.54
Total	**100**

Source: Author's calculation based on field survey data (2013).

6. Literature Review

Just as we see a gradual increase in international migration and remittances, the literature on migration and remittances at the macro as well as micro level has been expanding. Focusing on the Nepalese economy, some studies have applied their energy to analyze the migration process and significance of remittance income in Nepal (Yamanaka, 2000; Thieme & Wyss, 2005; WFP, 2008). Other works found that the role of remittance is playing a significant role in reducing poverty in Nepal (Lokshin et al. 2007; Acharya & Leon-Gonzalez, 2012; Devkota 2013). One recent study argues that rapid increase in external migration and huge inflow of remittances can produce the Dutch Disease Effect in the Nepalese economy due to wage increase and exchange rate appreciation with slow real GDP growth (Sapkota, 2013). Recently a micro level study also claimed that migration reduces labor participation in the agricultural sector and consequently crop production declines (Maharjan et al., 2013).

There are limited studies to analyze the use of foreign remittance. The majority of the studies found that maximum remittance income is used for consumption purposes than business investment. Chami et al. (2003) argued that major percentages of the remittances are spent on status-oriented goods while a smaller percentage is allocated for productive investment. He argued that investment in housing, land and ornaments are not productive to the economy. Another micro level study by Gumbert and Nordan (2011) documented that only 33 percent of returned migrants invested in the business enterprises in Algeria, Morocco, and Tunisia.

In addition, Amuedo-Dorantes and Pozo (2006) found that remittance income is used more for basic consumption, health care, and education for the household members than business investment in the Dominican Republic. Similarly, Osili (2004) found that high remittance-earning people allocate more to housing than to other sectors in Nigeria. However, these findings were challenged by some other studies. Woodruff and Zentano (2007) agreed that remittance helped as capital to expand micro-enterprise in Mexico. Regarding the determinants of entrepreneurship, McCormick and Wahba (2001) found that savings abroad and length of stay abroad are positively correlated to entrepreneurship after return in Egypt.

Higher savings overseas solves credit constraint problems and long-term stays abroad help in the acquisition of new skills and business ideas to apply in the local community. Kilic et al. (2009) also noted that there is a positive relationship between return migrants and business ownership in Albania but business investment is in the non-farm sector. Ammassari (2004) in a micro level study postulated that élite returned migrants allocate remittance to productive investment and innovation in Côte d'Ivoire and Ghana. There is no research to examine the probability of return migrants becoming entrepreneurs and the role of return entrepreneurs creating jobs in a particular region of Nepal. This paper fulfills this gap.

7. Methodology

There is no concrete economic model to gauge return migrants' probability to become entrepreneurs. However, most of the existing studies applied the Probit model. For this task, an entrepreneur is assumed as an unknown dependent variable. Demographic characteristics of the migrants, overseas savings, the length of stay abroad and skills learned abroad are taken as independent variables (McCormic & Wahba, 2001; Amuedo-Dorantes & Pozo, 2006; Gubert & Nordan, 2011). People from low-income countries can have good business ideas; products can be sold easily in the market –there is no demand side problem due to big populations or sufficient consumers –but a lack of fund stands as the first barrier for starting any businesses. Therefore, overseas savings can be an appropriate independent variable to explain entrepreneurship in the Nepalese context. Education level, family size, types of destination country and how long ago the migrant returned to the home country also matters for entrepreneurship. These points have not been included in past studies. This paper uses these variables and employs a Probit model to see what determines entrepreneurship among return migrants.

An entrepreneur is an unknown dummy variable 1 if the returnee is an entrepreneur and 0 otherwise. It can be expressed as:

$I=1$ if $I^* > 0$ $\qquad\qquad$ (1)
$I=0$ if $I^* \leq 0$ $\qquad\qquad$ (2)

Where, I^* is a latent variable measuring the payoff from becoming an entrepreneur after return, assuming that

$$I^* = \beta_0 Age + \beta_1 Gen + \beta_2 Fsize + \beta_3 Ed + \beta_4 S + \beta_5 Tstay + \beta_6 Skill + \beta_7 ReturnT + \beta_8 ReturnC + \varepsilon \qquad (3)$$

There are 9 independent variables in this model. *Age* indicates return migrant's age, *Gen* means gender, which is a dummy variable with male=1, *Fsize* indicates household size, which is divided into 3 categories. *Ed* indicates returnee's education level (in years of schooling completed), which is split into two categories. *S* implies total savings overseas, a continuous variable. *Tstay* means total length of stay abroad which is also a continuous variable. *Skill* is a dummy variable to know whether returnees learned new skills abroad or not. *ReturnT* is how long time ago migrants returned to Nepal and is also a continuous variable, and *ReturnC* indicates from which country migrant returned, which is divided into three categories (Malaysia is included in the Gulf States group because it has almost the same migration cost from Nepal and a similar salary range as the Gulf countries). ε is a normally distributed error term.

Firstly, it is claimed that individuals who saved higher money overseas are more likely to become entrepreneurs on return. Migrants who live abroad long-term can save more. Saving stimulates investment. Secondly, qualification also influences whether the returnee becomes entrepreneurs. If a returnee is more educated, he/she allocates more remittance to investment and less to other consumption headings. Thirdly, fresh returnees (returned to Nepal just a few months earlier) are less likely to investment in business than those who returned more than one year ago. I also expect that bigger household size fulfills the human resource gap in comparison to the nuclear family, particularly to run medium- or large-scale industry. Similarly, skills learned abroad also matter for entrepreneurship in the home country. Finally, the type of destination country can also be a meaningful variable for the likelihood of starting a business.

In addition, this study applies the qualitative method to see the importance of return entrepreneurs' role in creating jobs in their own locality and to know the existing investment barriers in Nepal.

8. Estimation Results

Table 4 shows return migrants' summary statistics. The first column shows the list of explanatory variables. Successive columns show mean, standard deviation and minimum-maximum value. Survey data shows that return migrants are between the ages of 20 and 64, while the mean age is 34. Only nine percent of the total migrants are females while 91 percent are males. The majority of the return migrants (68 percent) have medium-sized households, followed by small families (25 percent) and large families (7 percent).

More than half of the migrants (58 percent) had not completed grade 10 education (secondary level), while the remaining number completed beyond grade 10. Mean abroad savings in the last 10 years is a very high amount (2,014,000 NRS) in comparison to the average Nepalese savings. Migrants lived abroad about six years on average. Most of the return migrants worked in the manufacturing sector as factory workers. Most migrants (72 percent) learned some new skills. Migrants in the hotel and restaurant sector learned serving, cooking, and cleaning skills. Migrants in the construction sector learned to operate heavy machines and painting in tall buildings. Others learned the skills of storekeeper, driver, watchman, tailoring, electrician, housemaids, caregivers, office boy, carpenter, and wood-cutter. Most of the return migrants are from the Gulf countries (55 percent) followed by developed countries (29 percent) and India (16 percent). Seventy percent of migrants had returned to Nepal less than one year before the interview, sixteen percent three years prior and fourteen percent five years ago.

Table 4: Summary Statistics of Return Migrants in Nepal

Variables	Mean	Standard Deviation	Minimum	Maximum
Age	34.0	7.78	20	64
Gender				
Male	0.91	0.28	0	1
Female	0.9	0.28	0	1
Family size				
Small family(1-4)	0.25	0.43	0	1
Medium family(5-10)	0.68	0.47	0	1
Large family(>11)	0.07	0.25	0	1
Education level (years of schooling completed)				
$\leq$ Secondary level	0.58	0.49	0	1
> Secondary level	0.42	0.49	0	1
Total savings abroad (in thousands NRS, 2004-2013)	2014.0	2628.0	25	3000
Length of stay abroad (in years)	6.07	4.9	1	30
Skill learned abroad	0.72	0.45	0	1
Returned from				
India	0.16	0.36	0	1
Gulf States	0.55	0.50	0	1
Developed countries	0.29	0.46	0	1
Returned(Nepal)				
1 year ago	0.70	0.46	0	1
2-3 years ago	0.16	0.37	0	1
4-5 years ago	0.14	0.35	0	1
N		**275**		

Source: Author's calculation based on field survey data (2013).

Table 5 documents the Probit (probability) of return migrants becoming entrepreneurs. Education level, overseas savings, and individual who returned before 2 to 5 years ago in Nepal are highly significant for the entrepreneurship at one percent level. People that are more educated are more likely to be entrepreneurs in comparison to less educated return migrants. First, better-educated migrants are more likely to work in high wage-paying companies in the destination countries. More income results in more saving. Second, they are more up-to-date on the home country's ongoing socio-economic situation and establish networks with friends or relatives using the internet. Network is important for business activities. Third, people that are more educated have better managerial ability than less educated people. This finding is consistent with Le (1999). The total savings abroad seems to be another important factor for the likelihood of entrepreneurship. There are several factors that influence entrepreneurship, but as stated above, since credit constraint is the main barrier for entrepreneurship saving in the destination country has played a positive role for new business start. This result echoes McCormic and Wahba (2001).

More investment practice has been observed among old returnees (who returned more than two years ago) than fresh returnees. Generally, entrepreneurs invest money in low-risk and high-returns sectors. Some migrants live abroad for long periods, collect money, and return to the home country with some business plans.

However, market structure can change over the years. It may take a certain period (at least one year) to select an appropriate business niche or to select marketable product. Large family size is also significant at a five percent level. It is asserted that division of labor is possible in larger households than smaller ones. In the field survey, it is observed division of labor practiced by return migrants in a wholesale food store. For instance, the elderly parents and women look after children as well as prepare foods for all family, the eldest son prepares the business plan, Negotiates with wholesale suppliers by emails and phone calls and the second son brings goods from the factory/big wholesale store to the store while third son sells goods in the store. Return migrants from the Gulf States and developed countries are positive and significant at 10 percent level for entrepreneurship compared with India. The coefficient value of developed countries is greater than for the Gulf States. As shown in Table 1, income range is higher in the developed countries than the Gulf States. Consequently, higher income leads to higher investment possibility. Finally, Pseudo R- Squared value indicates that explanatory variables in the Probit model predicted 27 percent of the variability in entrepreneurship.

Age and gender variables are insignificant for entrepreneurship. Length of stay abroad is insignificant for investment, which is an unexpected result. Skill learned abroad is also statistically insignificant for business startup in Nepal. This means skills learned abroad do not directly contribute to entrepreneurship in Nepal. This was also an unexpected result but plausible because the current development stage differs markedly between Nepal and destination countries. The technology level and institutional set-up are more advanced in most destination countries than in Nepal. The survey data revealed a food factory worker in Japan is running a solar power business in Nepal after return, an auto parts factory worker in Korea is opening a cosmetics shop, a baker in America is investing in the public transportation sector in Nepal after return, and so on. Some return migrants found indirect help from the destination countries for their business. Some examples are time management, work division skills, product decoration, and machinery parts maintenance. A few skills learned abroad are applied in Nepal after return. For example, one return migrant who was a cook in India opened a restaurant in Nepal.

Table 5: Probit Model of Becoming an Entrepreneur after Return (Marginal Effects)

Variables	Probit
Age	0.003
	(0.836)
Gender (reference: female)	
Male	0.094
	(1.295)
Family size (reference: small family)	
Medium family(5-10)	-0.029
	(-0.543)
Large family(>11)	0.216**
	(1.742)
Education level (reference: ≤ secondary level)	
> Secondary level	0.236***
	(3.671)
Log total savings abroad	0.116***
	(3.281)
Length of stay abroad	0.001
	(1.453)
Skill learned abroad	0.003
	(0.06)
Returned from (reference: India)	
Gulf countries	0.209*
	(1.745)
Developed countries	0.288*
	(1.694)
Returned (Nepal) (reference: one year ago)	
2-3 years ago	0.293***
	(3.391)
4-5 years ago	0.334***
	(3.417)
Pseudo R- Squared	0.273
N	275

Source: Author's calculation based on field survey data (2013).

***Significant at 1% level, ** 5%, and * 10% level.

Apart from the Probit model, it is observed in the field survey that social structure, family members age structure, geographical location, road networks to the market center, and the migrant's work sector before migration also influenced entrepreneurship after return. If neighbors, relatives, or friends are investing in the business sector, then return migrants follow them in spite of limited remittance income brought from abroad. In contrast, if friends or relatives are constructing big houses, purchasing land-plots in the urban areas, buying vehicles or ornaments, then returnees also do the same activities even though they brought more remittance. Family members' age structure also associates with entrepreneurship. We observed that return migrants with more children are less likely to be entrepreneurs because parents spend more time looking after children.

Some return migrants who were businessmen before migration returned to the same occupation after coming home. Expectations about the current or future political condition of Nepal also effects investment practice. Some return migrants think that Nepalese politics is going in the right direction. Such individuals are starting businesses, but those who think opposite scenario are depositing money in the bank, lending to relatives, purchasing vehicles, and ornaments. There are different types of geography and road networks in Nepal. In the highland region, some lands are fertile but others less. Hence, returns migrants with fertile land are found engaged in the agriculture sector, but in the absence of fertile land, they live either without work or without plan to migrate again. Similarly, some communities have better road networks and are close to the market center, while some rural communities have no roads and the market centre is too far to sell their products. In the field, it is observed that return migrants who live near the market place are engaging in agriculture-related packaging and semi-processing businesses but others who don't have this advantage are not.

9. Successful Entrepreneurs and Investment Barriers

The survey data shows that out of 275 return migrants, only 62 individuals (22.54 percent) used foreign remittance in business enterprises. Seven returnees started innovative businesses in their locality (such as internet café, tomato production farm, and poultry farming), 36 opened new businesses (wholesale and retail stores, restaurants, small-scale furniture factory, and public transportation), and 19 expanded their existing business (private schools and cooperatives). Such private business investments are helping to create jobs in the local community.

According to the Doing Business Report 2013, Nepal's business indicators are not so bad in comparison to other South Asian economies, but returned migrants viewed many obstacles for investment in Nepal[6]. Most of the respondents think that load-shedding is the first hindrance for investment. There is 12 hours of power cuts during the dry season. General strikes seem another barrier. *Bandh* (strikes) is a major issue in the Nepalese economy[7]. Frequent strikes disturb transportation sector, raw material or finished products cannot reach in the targeted place. Next major problem is observed on the government policy. The investment policy is unclear and bureaucratic procedures are time-consuming. Without a bribe, it takes several days to finish even a minor task in a government office. The majority of the return migrants also mentioned that investment barriers are closely related to political instability and security. Returned migrants from developed countries usually have big remittance amount but they feel insecure themselves in Nepal. Returned migrants from India said that they have less or no saving for investment, financial institutions do not easily provide loans due to a lack of collateral, and village money lenders charge more than 24 percent interest rate. Some respondents also think the lack of technical know-how and the rapid migration of educated manpower as a major issue for scale investment in Nepal.

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[6] Doing Business ranking shows business environment of a particular economy based on 10 different indicators. Among 185 countries, Singapore is first and the Central African Republic is last. South Asian economies rankings are: Sri Lanka 81, Maldives 95, Pakistan 107, Nepal 108, Bangladesh 129, India 132, Bhutan 148 and Afghanistan 168 (World Bank, 2013).

[7] *Bandh* means close or general strike. Markets are closed, businesses shut, roads are empty, and students don't go to school. The cost of one day of strikes is 1.96 billion NRS, which is about 88 percent of the total products of the Nepalese economy in a day. In 2010, there were 125 days of strikes in various parts of Nepal, organized by different political parties (Adhikari, 2010 & WFP, 2010).

10. Conclusion

Using primary data from the Palpa, Dang, and Nawalparasi districts of Nepal, this study analyzed the use of remittance, determinants of entrepreneurship and investment barriers in Nepal. Information was gathered to understand the return migrants' situation before migration, overall experiences abroad, and activities after returning. Most returned migrants think they practiced international migration due to a lack of jobs in Nepal. Some people migrated to earn and learn more from abroad. People from the lowest quintile migrated to India; the majority of young people from rural and semi-urban areas went to the Gulf States, and those of urban origin and qualified people moved to developed countries. Both the cost of migration and wage rate is lowest in the India, moderate for the Gulf States and high in developed countries. People often worked in distinct sectors in the destination countries than where they worked in Nepal. Most migrants were engaged in the agriculture sector or were students in Nepal, but they worked in the manufacturing, construction and hotel-restaurant sectors abroad. Most remittance is not used in the business investment. The biggest percentage is spent on daily consumption, followed by land plots in the urban areas, repay loan and house construction. Savings also constituted a large amount. Only 4.44 percent of total remittances is allocated for business investment. Only 62 returned migrants among 275 individuals practiced entrepreneurship.

A Probit model was used to see the probability of return migrants becoming entrepreneurs. Result shows that the highest probability for entrepreneurship depends on the education level, overseas savings and how long time before a returnee came back to Nepal. Apart from the Probit model, social structure, family members' age structure, geographic location, road networks, market access, and the migrant's work sector before migration also influences entrepreneurship after return. Although business investment is small portion it is playing a positive role to use local resources, create jobs and consequently reduce the poverty from the long-term perspective. Returned migrants viewed that power shortages and frequent strikes as the major barriers to investment in Nepal. Existing unclear investment policy and insecurity are other barriers. Political instability and an inefficient bureaucratic system are other hindrances to investment.

This paper recommends the need for measures by the government to control unproductive use of remittance. Government should set limits on housing and land plot purchase. Abroad saving and education level plays positive role to be an entrepreneur among return entrepreneurs but most of the migrants do not have saving account in abroad or in Nepal. So the central bank can inspire migrants to open saving account before migration or in the destination countries. Electricity shortages badly affect all business. Hence, existing power shortage should minimize by import from India, so that return migrants will start new businesses or expand their existing investments which would be a positive start for industrial base and for the long-run poverty reduction strategy. How migrants can transfer new technology from destination countries to Nepal will be a suitable study for future study.

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