

# **Essays on Migration, Conflict and Human Capital Development: Evidence from Nepal**

**Nirmal Kumar Raut**

**National Graduate Institute for Policy Studies**

## *Executive Summary*

In the last two decades, Nepal experienced major structural changes triggered primarily by two historical events: civil conflict and surge in labor migration. These not only changed the economic structure of the country but also her social, cultural and political landscape. In this dissertation, we explore the microeconomic consequences of migration and civil conflict respectively on two different indicators of human development: education and health. In addition, we also seek to answer the question whether the free health care policy introduced in 2008 has been pro-poor. In order to empirically test the hypotheses for answering these questions, we use various waves of nationally representative household survey data from Nepal.

This dissertation consists of three main chapters. In the first main chapter, we estimate the causal impact of parental absence and remittances on educational investment of children left behind using data from the latest wave of household survey from Nepal. We use the third wave of Nepal Living Standard Survey, which unlike the previous two rounds, affords richer information on migration and remittances. The novelty of the chapter lies in the separate identification of parental absence and remittances with careful consideration of self-selection into migration and endogeneity of remittances. Using past economic condition at potential destination of migrants and the cost of travel (to the nearest Indian

border and Kathmandu) as instruments for migration and community financial network as instrument for remittances, we show that parental absence has substantive disruptive effect on child education while remittances has positive effect. We also show that non-parental absence has negative effect on education but effects are not significant. Further, we provide supporting evidence about the channels to disruption. Finally, we also show some heterogeneity results by child gender, age and mother's education.

In the second main chapter, we investigate whether the civil conflict in Nepal (between Maoist and State forces during 1996 - 2006) inflicted disruption on health service delivery. Our measures of health service delivery are individual health status and utilization of institutional health care. We use three waves of repeated cross sections of household surveys collected uniquely before, during and after the conflict. This allows us to evaluate both short-term (during the conflict) and medium-term effects of conflict (after the conflict has ended). By exploiting district level variation in an individual exposure to conflict and using difference-in-difference approach to estimation, we show improvement in health status and increase in health care utilization in the areas with high conflict intensity. We further exploit rural community data of the survey to establish the possible channels of the positive conflict-health association. We find that the improvement in quality of health services particularly by way of Maoist policing of health staffs' absenteeism (in health facility) in conflict-intense areas explain the positive association between conflict and health. Several robustness checks confirm our main findings. Further, we do not find the evidence of selective migration.

In the third main chapter, we analyze the impact of free health care policy on health care utilization and health spending at public facilities. We develop a theoretical model for the choice of health care provider as revealed by individual's (from various socio-economic strata) response towards the introduction of free health care policy. By using the data obtained from second and third waves of Nepal Living Standard Survey, we show that the utilization of public care normally increase by individuals at lower end of endowment distribution. However, further investigation by socio-economic status of individuals - not contradictory to the theoretical prediction - show that the utilization by the poorest cohort is less significant than the middle income cohorts. Our results also show that the richer sections continue visiting private care. In addition, we do not find any effect of policy in reducing the out-of-pocket expenditure on health at public facility. The placebo test further confirms our results.