

CHAPTER- I

INTRODUCTION

1.1 Background of the Study

The economy of Nepal was closed and isolated before 2007 BS. After the establishment of democracy in 2007 BS, Nepal adopted mixed economic policy which continued even after the political change in 2017BS. After the establishment of multiparty political system in 2046 BS, Nepal pursued liberal, open and market oriented economy. Foreign direct investment is promoted in almost all sector/sub sector of the economy, including the development, operation and management of infrastructure like road, transportation and electricity, especially hydroelectricity of which the country has immense potentiality.

For the all-round development of the country, higher economic growth is necessary. Nepal has a policy to attain higher economic growth by broadening and strengthening stability and fiscal discipline which are given emphasis so as to make the economic development process sustainable and sound. It is tried to convert rural areas into the focal point of development through the participatory development and rural empowerment process.(Shrestha, 2009:45).

For the development of country, financial institution is considered as the catalyst to economic growth of the country. Banking is a vital part of the national economy and a vehicle for the mobilization of economy's financial resources and extension of credit to the business and service enterprise. Commercial banks are the heart of the financial system. They hold the deposit of the individual, government establishment and business units. They make funds available through their lending and investing activities to borrower, individual, business firms and government establishment. In doing so, they assist both the flow of goods and services from the producers to consumers and the financial activities of the government. They provide a large portion of medium of exchange and they are the media through which monetary policy is affected. These facts

show that the commercial banking system of the nation is very important to the functioning of its economy (Joshi, 2009:230).

There are different ways that remittance transfers can be made; including cash-based services offered by individuals, services from specialized global money transfer operators and bank-to bank transfers. The key participants in remittance transfer are the sender, the receiver and the remittance service providers. For a remittance service to work, it needs to have some kind of a "network" (i.e. access points, where consumers of remittance services pay and receive funds. Also needed are procedures to link those access points to enable messaging (the transfer of information about the remittance) and settlement (the transfer of the funds themselves). Some Remittance Service Providers (RSP), such as global banks, may have branch networks they can use for this purpose ("unilateral service"). The market for Remittances consists of remittance transfer and remittance service providers. Remittance transfer may be domestic or international. Money transfer within country boarder is domestic transfer and transfer across the country boarder is international transfer. But generally the term remittance is used in indicating international transfer. Others, including smaller RSPs, may use a network provided, for example, by one of the global money transfer operators ("franchised service") or may have to cooperate to create a network ("negotiated service"). In all these cases, the RSP have a direct relationship with each other, enabling them to agree and publicize the speed and total price of the service (including any fee charged to the receiver of the funds. Another type of service, provided by most banks for example, uses correspondent banking to send a payment to virtually any other bank in the world ("open service"). This almost unlimited global coverage is valuable, not least to ensure even the smallest remittance corridors have a service; however corresponding disadvantage is that the RSP often has no direct relationship with the bank to which the funds are being sent and thus no knowledge of the fee the latter might charge the receiver or the total time taken. The elements of remittance transfer are capturing, disbursement, messaging, settlement and liquidity provision.

Commercial banking industry includes the banks with operational transactions of collecting the deposits and lends them. It can play a vital role in giving a direction to economic development overtime by financing the requirements of trades and industry in the country.

1.1.1 Introductions of Nepal Investment Bank Limited

Nepal Investment Bank Limited is one of the commercial banks in Nepal. Nepal Investment Bank Limited of Nepal was previously known as Nepal Indosuez bank Ltd. Nepal Investment Bank Limited came into being in the year of 1986. Head office of this bank is situated in the Durbar marg. The bank was the outcome of the joint venture of Nepalese and French partner. The French partner was Credit Agricole Indosuez. It was a subsidiary of largest banking group. The name of the bank was changed to Nepal Investment Bank with the approval of Nepal Rastra bank and company. The structure of the share holders include a group of companies who hold around 50% of the capital, Rashtriya Banjaya Bank and Rashtriya Beema Sansthan holds around 15%. The other 20% is hold by General Public. With these achievements, the Nepal Investment Bank in Nepal a company has been enlisted in the Stock exchange of Nepal.

This bank is managed by experienced staff and bankers who have experience of more than decades. Professionalism is the motto of the bank. Reliability is also found here. This bank strives for utmost customer satisfaction. Safest and most secured money transfer is available here. Fast and reliable transfer is done here.

1.2 Statement of Problem

The commercial banks are centrally located in urban area and have already expanded their branches in the rural area of Nepal. Nepal Rastra Bank has imposed many rules and regulation so that banks can bring sufficient remittance from the different countries. They are being operated in urban and sub-urban region of the country. The open and liberal economic policy towards the banking sector initiated joint venture banks, international bank, financial companies, rural banks and co-operative societies in Nepal. They are growing in large number they seem successful to achieve a remarkable market

share in Nepalese financial sector in short span of time. However, the rapid growth of financial institutions has led to sharp competition among each other. It has threatened the entire banking system. Remittance refers to the transfer of money from an individual, usually a person who has emigrated from country of origin to another individual usually a relative who remains at home. There are two basic categories of remittance transfers: domestic and international transfers. Domestic transfer occurs when funds are transferred from one location to another within the same country, i.e. mostly urban to rural. Whereas international remittance involves an immigrant sending money to the country of origin, i.e., cross border transfer. To accomplish the study objectives, the following statement problem associated with this research can be generated as:

- What are the strengths of remittance business at NIBL that should be capitalized?
- How much remittances are received in Nepal and what are the contribution of financial institutions in mobilizing remittances?
- How the remittance trend and NIBL trend is are flowing?
- What are the benefits of remittances to the financial institution i.e. NIBL?

1.3 Objective of the Study

The main objective of the study is to evaluate and analysis the financial performance of the NIBL. The general objective of this study are; -

- To have an in depth understanding of remittance business (inward/inbound and domestic) at Nepal Investment bank Ltd.
- To see the position collection of remittance NIBL.
- To see the level income genera tied through remittance business.
- To Compare the amounts of remittance of NIBL with the total amount of remittance received in Nepal
- To give proper and feasible recommendations, strategic options of NIBL on the basis of the in depth study undertaken to increase remittance business.

1.4 Scope of the Study

The purpose study is of great importance to different people and sector. The contribution of remittance to the economy is increasing every year and also remittance has emerged as an important sector of Nepalese economy.

And In depth study data has been presented in this report is especially concern with the remittance business of Investment bank ltd. Since there has been done only few researches in the field of remittance related to bank, so at first this report will be beneficial for the top level of management (decision makers) and everybody associated with remittance business at Nepal Investment bank ltd.

Besides this it is believed that the study will be helpful to the bankers, people related to remittance companies in order to analyze their own success and failure from the in – depth analysis of an important player in remittance industry.

1.5 Significance of the Study

This study has been designed to answer the new research questions. Therefore, the study deserves some significance of its own kind in this field. Moreover it will help to evaluate the performance of the banks in terms of Remittance. At present, commercial banks are going a wide popularity through the efficient management and professional service and playing eminent role in the economy. Regarding the economic structure of the economy, the banks do not have sufficient investment opportunities. Rapidly increasing financial institutions are creating threats to the commercial banks. The main objective of the commercial banks is to earn more profit by proper mobilization of funds. Nowadays many banks are focusing on the remittance business as we can see that a huge number of people are migrating day by day. Thus we can receive a huge volume of fund from the different parts of the world. Hence many banks are looking forward to extend their relationship with other institutions of different parts of the world which will help them to start the remittance business from the respective centers. The significance of the study can be pointed like below: -

- To develop its strength to compete in the market and boost up its reputation.
- Finding the way of providing the best services to its customers.
- The study will help general public to know about the overall remittance business of Nepal Investment Bank Ltd.

1.6 Limitation of the Study

This analysis is based on the secondary data available in the bank. Some of the information of the banks were confidential and thus could not be included in the report. This study is conducted for the partial fulfillment of the requirement for the degree of masters in business administration. So, there are many deficiencies may find in this study due to various limitations. This study is conducted with the following limitation: -

- The study is based on a secondary data, the calculation and conclusion of the study is fully dependent on the accuracy of the data available from the various sources.
- The limitations of the study are time constraints, limited budget, lack of experience; lack of up-to-date information so can't show the situation depth.
- It is focused on the inward remittance and has not given priority to the outward remittance which flows from Nepal to outside country.
- Problems in identification of population and sample are other limitation of the study.
- Due to lack of data, we are also not able to present the market share of Nepal Investment Bank Ltd in overall remittance industry. Fiscal year 2007/08 to 2011/012.

1.7 Organization of the Study

This study entitled "A study on Remittance Business of Nepal Investment Bank Ltd" is analytical study. The study is divided into five chapters; each chapter is divided into subheading describing the related subject:

Chapter-I: Introduction

This chapter described the introduction part, which contain general background, statement of the problem, scope of the study, objective of the study, importance of the study, limitation and designation of the study are given.

Chapter-II: Review of Literature

This chapter mainly deals with the literature review in which articles; journals and abstract of the previous research done on the related topic are situated.

Chapter-III: Research Methodology

This chapter deals with research methodology used to carry out the research. It includes research design, sources of the data, population and sample, sources and technique of data collection, statistical and financial tools used to analyze the data.

Chapter-IV: Data Presentation and Analysis

It contains Presentation and Analysis of relevant Data and information using various analytical tools and the concept of remittance. This chapter is one of the main chapters of the study. It includes almost data and graphs are interpreted in such a way so that the objectives of the study can be achieved.

Chapter-V: Summary, Conclusions and Recommendations

Fifth chapter of the study is of summary and conclusion part which tries to summarize and conclude the whole study. Some recommendations are also incorporate in this chapter to improve the performance of the bank.

In the **Bibliography** part he brief introduction of the previous researches, journals and referred books used in this study are situated. Documents compile sheets, calculations etc are separately shown under appendices.

CHAPTER-II

REVIEW OF LITRETURE

Review of literature is the compilation of the research that has been published on a topic by recognized scholars and researcher. The review should describe, summarize, evaluate and clarify this literature. It should give a theoretical base for the research which helps to determine the nature of research. Review of literature is the way to discover what other research area of a problem has uncovered. A critical review of the literature helps the researcher to develop a thorough understanding and insight into previous research work that relates to present study. The literature review thus provides with the knowledge of the status of the field of research. The purpose of literature review is, thus, to find out what research studies have been conducted in one's chosen field of study, and what remains to be done. It provides the foundation for developing a comprehensive theoretical framework from which hypothesis can be developed for testing. Generally, literature is reviewed by two ways for any research purpose. They are: -

- Conceptual Review
- Review of Articles And Journals
- Review of Thesis

2.1 Concept of Remittance

This research examines the nature and scope of the market for immigrant remittances from Ireland. Remittances are money transfers to friends or relatives from people living in another country town or city. During the last ten years there has been a large influx of migrants to Ireland, the majority of whom are seeking employment and, who are in effect, economic migrants who often come to earn higher wages and send money home to their families. In early 2008, the Financial Services Consultative Consumer Panel (FSCCP) to the Finance Regulator, issued a tender for research to be conducted examining immigrant remittances from Ireland. The FSCCP recognizes the importance of the flow of funds out of the country through remittances by immigrants. This report/

extract is drawn mainly from that research. The research was conducted in 2008 through a combination of desk research, literature review and the collection of primary data. Primary data was collected and analyzed using qualitative methods and stakeholders were targeted directly by the researchers. Questionnaires were developed and tailored to target the interests and roles played by each stakeholder group. <http://www.investopedia.com/articles/economics/10/introduction-remittances.asp>

International remittance has a vital role in most developing countries on poverty, alleviation income distribution and economic development, especially in rural areas. Migrant remittance flows surpass official development aid receipts in many developing countries. Studies have shown that remittances can have different effects at various levels. At households' levels, it helps increase in income and consumption smoothing; increase saving and asset accumulation; and improve access to health services, better nutrition and to better education. Likewise, at village/community level, remittance income can help generate local commodity markets and local employment opportunities. The impacts of remittances on poverty and inequality however, depend on how far poor households are able to join in the process. The process of recruiting Nepalese people by the British East India Company began after 1816 when Anglo-Nepal war ended. However, the government of Nepal was not in support of recruiting its citizen in such a way before 1886. After 1886, government of Nepal (Rana government) not only permitted the British for recruitment but also encouraged young Nepalese people to join British army Remittance earnings increase household income and the households can use it for several purposes. Purchasing input to increase farm productivity, investing in non- farm activities or increasing consumption are some of the possible areas where households can spend the money. Therefore, the household can increase its level of welfare via increased consumption of both food and non-food commodities. Thousands of people leave the country to work abroad every year and send back their hard earned money. But the significant sum remains largely unutilized due to indifference on part of the government and policy makers Thousands of people leave their homes every year most of them sell their small pieces of land or borrow from local money lenders, to go abroad in search of jobs. With the annual growth of labor

force at a rate of 3 percent (against the population growth of 2.1 %) per annum, nearly 200,000 people enter into Nepalese labor market every year. Studies suggest that of nearly 12 million strong labor force in the country, about 650,000 people are unemployed. Though the tradition of going to "lahur" began in Nepal in 1809 followed by recruitment of Gurkha soldiers by the British East India Company in 1815, it was largely limited to certain regions and ethnic communities of the country. Most of the common Nepalese, however, preferred to visit India seeking jobs as they could do so by spending relatively small sum of money and did not need visa or a passport to cross the 1750 km long common, open border. The stagnant agricultural economy, lack of new opportunities of employment and more importantly, the "demonstration effect" continue to push Nepalese laborers to India and abroad. But it was only after the restoration of democracy in 1990 that the flow of Nepalese workers to the Gulf countries and East and South East Asia witnessed a significant rise. And, the trend continued unabated. Besides traditional sources like salaries and pensions of Gurkha soldiers serving in the British and Indian army, thousands of Nepalese some of them engaged in three "D" jobs (that is, Dangerous, Dirty and Difficult) are sending billions of rupees back home. This has emerged as a vibrant sector of the country's economy. (*Khadka and Singh; 2006:189*)

"Foreign Labor Migration and the Remittance Economy of Nepal" for DID (Department for International Development of the British government) last year, nearly Rs 69 billion was remitted by the Nepalese working in foreign countries in 2004. Of this, nearly 40 billion came from an estimated one million Nepalese working in India whereas the rest (nearly Rs 29 billion) came from people working in other parts of the world. (*Seddon D., Adhikari J. and Gurung G; 2006: 158*)

According to rough estimation nearly 20,000 Nepalese are working in Europe and North America. Similarly in 2006, it was estimated that around 160,000 Nepalese were working in the Gulf countries, around 60,000 in East and South East Asia, and an estimated two million in India. The recorded value of money sent back from abroad nearly doubled, from 1997/98 (Rs 11.4 billion) to 2002/03 (Rs. 21.2 billion). Over the

next decade, the official value of foreign remittances increased three-fold, to reach Rs 110 billion by 2011/012. (*Khadkaand Singh; 2006: 196*)

According to Indian embassy in Kathmandu, after the recent hike in salaries and benefits of servicemen by Indian government as per the recommendation of the fifth pay commission, India will be distributing nearly Rs 5.3 billion per annum to nearly 100,000 Nepalese pensioners (including 80,000 ex-soldiers) from this year. Is all this money being utilized in a productive way? The most of the earnings of ex-Gurkha soldiers and others returning from abroad had been used in buying land, constructing houses and other unproductive social rituals. Even those who were interested to start new ventures did not find any attractive areas for investment. "There is no coherent program to increase the benefits of the remittance economy and reduce the very real social costs of foreign labor migration as part of Nepal's overall development strategy." Off late, policy makers are also recognizing the contribution of remittance to national economy. The on-going compilation of Gross Domestic Production has also accounted remittance as one of the major sources of national income of the country. "The government recognizes the importance of remittance and its contribution to national economy," (*Khadkaand Singh; 2006: 179*)

With a view to bring in the remittance through official channels, Nepalese officials had worked a lot. They had set up many channels with foreign employment banks. As major shareholders of the proposed banks are of foreign employment agencies themselves, they had tried their best to channel the overseas earnings of the Nepalese through the Bank. Analysts say that setting up a bank alone will not be sufficient to address different issues related to the remittance economy. As the number of people visiting abroad in search of job is likely to continue in the days to come, the volume of remittance entering in the country is bound to increase. So, the time has come to channelize such income toward productive sectors." The government should issue bonds or debentures to mobilize the money and other Nepalese working abroad and invest it into infrastructure projects. Such a loan will be cheaper than that borrowed from international institutions."With the onset of globalization and opening up of even

rigid borders for foreign manpower, Nepalese people could find new avenues of overseas employment provided they are skilled enough. (*Khadka and Singh; 2006: 158*)

2.1.1 Remittance

Remittance refers to the transfer of money from an individual, usually a person who has emigrated from country of origin to another individual usually a relative who remains at home. There are two basic categories of remittance transfers: domestic and international transfers. Domestic transfer occurs when funds are transferred from one location to another within the same country, i.e. mostly urban to rural. Whereas international remittance involves an immigrant sending money to the country of origin, i.e., cross border transfer. But mostly remittance refers to an international remittance. (*Horne and James; 1994: 163*)

“Remittances are the expression of profound emotional bonds between relatives separated by geography and borders, and they are the manifestation of a profound and constant interaction among these relatives regardless of the distances between them,” Remittances are that portion of workers’ earnings which are sent back to their countries of origin. We normally think of remittances as monetary transfers from one family member to another, but the definition is much broader than that. Remittances also include goods sent from relatives abroad, money or goods sent from individuals to organizations and communities to which they are connected and investments by the diaspora. The common factor here is that the sender has some sort of genetic link to the destination. Inward remittances are basically foreign exchange, which is remitted by people who are living abroad to their own countries. The earning of a country by remittances is shown in the Balance of Payments statistics of each country and the accounting is prepared according to the guidelines prepared by the International Monetary Fund. The International Monetary Fund separates remittances into three categories; Workers remittances from workers who have lived abroad for more than one year. It is recorded under the headings ‘Current Transfers’ in the current account of the balance of payments. The wages salaries and other compensation received by border, seasonal and other workers (such as local staff of embassies), who have lived abroad

less than a year are recorded under the 'income' subcategory of the current account. Migrant Transfers are reported under the capital transfers in the capital account. The above definition does not include transfers through informal channels-such as remittances send through friends, family members, Hundi or remittances send in kind such as jewelry and other consumer goods. Although the headings migrant remittances goes only to the workers who lived abroad more than one year but other heading captures the extent of workers' remittances better than the data reported under the headings of workers' remittances alone. For example, in the Philippines remittances send by the seasonal workers through banking system exceed the remittances from the workers' remittances. (*Horne and James; 1994: 187*)

Remittances have become the second largest capital flow behind Foreign Direct Investment (FDI) and a head of Overseas Development Assistance (ODA) to developing countries. The most often cited support for the positive side of the argument is the observation that remittances from international migrants play an extraordinary role in the economic accounts of many developing countries, far more important than official development assistance. But, the benefits of remittance income to source countries do not necessarily explain the full impact of remittances on poverty. Remittances may not constitute a rising tide that raises all boats, but they do have a very important effect on the standard of living of the households that receive them, constituting a significant portion of household income (Newland, Kathleen 'Migration as a Factor in Development and Poverty Reduction', Remittances lift many recipients out of poverty for the time being the remittance continues. The main reason behind this is the relatively small portions of remittances are used for investment because of discouraging investment climate. (*Horne and James; 1994: 263*)

Remittance as a major source of foreign currency to the developing nation has become a substantial component of making current account surplus in the balance of payments. It is argued that many workers from Nepal going abroad for employment are no doubt young, energetic, laborious and enthusiastic. They do hard work for earning large remittance income to support their families. However, the downside of remittances

reflects the view that remaining young generation for long time outside without family may increase their vulnerability and ultimately they will have a tendency to leave their homeland. Thus, in order to recover the loss of economically active labor force to the domestic economy, they should be encouraged to come back again with skilled knowledge for utilizing their savings and working experience for development to the productive areas in accordance with the priority of the national development plan. (*Horne and James; 1994: 251*)

2.1.2 Characteristics of Remittance

The characteristics of Remittances are as follows: -

- Remittances are one of the least volatile sources of foreign exchange earnings for developing countries. Other kinds of capital flows tend to rise during the period of economic boom and falls in the recession. But experience has showed that remittances tend to be counter-cyclical and showed stability over the period. During the economic downturn in the developing countries workers are encouraged to migrate abroad and begin to transfer funds to families left behind so that the consumption pattern cannot be changed. Those already abroad also increase the money then send to their family at home. During the period of Asian Financial crisis private capital flows and even the FDI also declined, in the crisis hit countries, while the remittances have continued to rise. Sometimes remittances do respond to dramatic changes to economic activities in recipient countries. After the crisis of late 1990's, it brought dramatic changes in the investment climate of the Philippines.
- Remittances may remain stable in the economic downturn in source developed countries. If the migrant workers are forced to return to their home countries they may bring back their whole savings. This has happened during the Gulf War of 1990's when many Indian workers were forced to leave but remittances income to India did not decline.
- If the remittances income is invested by the receiving countries it is not easily withdrawn as the portfolio equity flows from the developed countries. Workers are more likely to continue to invest in their home countries in spite of economic slowdown because of the 'home bias' in investment.

- Remittances constitute a transfer directly from relatively richer to relatively poorer individuals or households and mostly from children to parents. The amount from remittances is higher and or more frequent in certain seasons or periods, when people need more money. However, it may vary by migrant group due to cultural or religious dates such as New Year, Dashain, Deepawali, Christmas, and Ramadan etc. (*Shrestha, and Silwal, 2057: 212*)

2.1.3 Factors Determining the Remittance Income

The factors determining the remittance income, which are as given below: -

1. Number of migrants and the length of stay

An important factor is, of course, the number of migrants. It is natural that if more migrants went for work abroad and if they stayed for a longer period they remit more. But, according to the study of the World Bank, temporary migrant workers tend to remit a larger portion of their income than immigrants who plan to settle down. The temporary workers who have planned to return home soon have the ties with family left behind. The propensity to remit (Remittances as a share of income -R/Y) has been believed to decline with time. The remittances behavior of the migrant workers also varies with skill and gender. The skilled workers may earn more and send a large nominal amount than unskilled workers. The unskilled workers may send a larger share of income. Woman are believed to remit a larger proportion of income and more regularly than man.

2. Macro Economic Activities

The nominal remittances send by the migrants depend upon the comparative macroeconomic activities of the migrant sending and receiving countries. If the labours sending economy is in expansion phase then the remittances enters in the form of cash. Similarly, remittances enter through the formal channel if the banking facilities are provided in the rural sector. In case the economy is in contraction phase the remittances enters in the form of kind.

3. Foreign Exchange Regime:

Whether the migrants sent remittances through formal or informal channel would depend on the difference between the official exchange rate of domestic currency and the black market rate. If the recipient country has parallel foreign exchange market, then the remittances enter through the informal channel. Because the unofficial market rate is always higher than the official exchanges rates used by the banks for converting the remittances into the local currencies.

4. Level of Education

The Level of education of the migrants also determines the amount and the channel of remittance. The educated migrant knows well the banking system and the advantage of sending money through the banking channel. The uneducated migrant prefers to send through the informal channel.

5. Political Stability

- The political stability of the migrant sending country determines the amount of the money send to the country. In a politically stable country there is a positive investment climate, which can make effective utilization of remittances. (*Shrestha, and Silwal, 2057: 263*)

2.1.4 Importance of Remittance

With the steady growth of money transfers, the social and economic impact of remittances has moved beyond the sphere of households, as remittances have started to play an increasingly important role in the economic performance of many countries. Some socio and economic importance are discussed as under: -

Not only the remittance amount, it generated several other important sources of revenue and economic activity to their home countries, investing in small businesses in their home countries, providing financial support to development and philanthropic initiatives in communities of origin.

The interest generated by the increasing volume of remittances has brought financial institutions such as, commercial banks; credit unions and micro finance institutions into the remittance market; created greater competition for the remitters' business and lower the cost with better services. And also, growing number of money transfer companies of all sizes have started to employ technology to provide more convenient and efficient services and have become more competitive in the process. Money transfer entities now use technology to increase their distribution or to offer cheaper transactions in an effort to better serve their clients.

The scale and scope of remittances can be a powerful lever to open up financial systems, mobilize savings, generate small business loans and multiply development impact for local communities in many other ways. However, the inevitable impact of these interactions far transcends financial flows; they are shaping our societies in profound ways, many of which are not yet fully recognized or understood. Remittances enable many poor households to improve their income levels and standards of living. It also enables persons to obtain goods and services which would otherwise be unreachable, thereby improving their daily lives. Receivers of these remittances, especially those in the lowest income groups, now have the ability to pay for much needed education, food, clothing and other necessities. Remittance is important to the receiving countries at the micro and macro level. They increase both the income of the recipient and the foreign exchange reserve of the recipient's countries. Remittances generate positive multiplier effects in output if they are consumed, and contribute to output growth in the country if they are invested. Pant further emphasizes on both the micro & macro level implication of inward remittances to its recipients & the nation as a whole.

Remittances are typically helpful to meet specific needs of the respondents' family members and thus tend to increase their standard of living. In lower class or poor households, they may finance their remittances to fulfill their basic needs, such as in consumption, housing, children education and health care and to pay for loan. In middle class or rich households, they may provide either loan for individuals going abroad or

capital for businesses and entrepreneurial activities. From macro economic point of view, this source may be more stable than capital flows. It is said that remittances has represented more than 10 percent of GDP in Nepal in the late 1990s. Moreover, it would be highly beneficial to the country, where there is natural calamities, political conflict, people war, low investment in entrepreneurial activities and economic recession. (*Westen, Fred Copeland; 1992: 167*)

2.1.5 Migration History of Nepal

Nepal has a long history of foreign employment in India, dating back to the beginning of the 19th century, when men from the hill areas of what was then known as Gorkha migrated westwards to city of Lahore in the northern region of Punjab. After the war in Gorkha area with the British East India Company (1814- 1816), an increasing number of “Gurkhas” also joined the British army in India, starting a tradition that continues till this day. As Gurkha settlements in India increased in number and size, they also attracted Nepali workers seeking civilian employment. In addition, the development of tea estates in northeast India (Assam and Darjeeling) increased demand for labour. Nepali workers, both men and women, went in substantial numbers and a significant expatriate Nepali community began to grow in these areas. According to a research conducted in 1997 by the Nepal Institute for Development Studies-the first systematic look at Nepali foreign labour migration- as many as 750,000 men and women were working in India’s private sector. Most were engaged in manual labour jobs in industry, construction work, agriculture or the service sector. Within a short period, the number of manpower agencies operating in Kathmandu to recruit and send Nepalese to the Middle East soared. By August 2001, 87 percent of officially registered migrant workers were headed for the Gulf.

An analysis of Nepali migrant workers in 2002- by the Nepal Institute for Development Studies for UNIFEM, revealed that two-thirds of Nepalese working overseas were employed in the Gulf, mainly in Saudi Arabia (42 percent), Qatar (11.5 percent) and the UAE (9 percent). The total was estimated at 465,000- 10 times more than in 1997. In 1997, the value of remittance from Gulf countries was estimated at Rs 1.5 billion

approximately US\$25 million. Considering other things equal, it can be estimated that remittances, like the number of Nepali workers in the Gulf, may have increased tenfold between 1997 and 2002. Links established through the Gurkhas stationed overseas in Hong Kong and Singapore made these countries prime destination for employment. In 1997, it is estimated that over 40 percent of all Nepalese living and working overseas were in Hong Kong, Singapore and Brunei – most of them in Hong Kong. The next most popular destination during the late 90s was Japan. Although immigration to Japan was illegal and the risk of repatriation (or jail) was high, Nepalese could earn over 10 times the average wage in Nepal, even in low-skilled manual jobs. A significant Nepali expatriate population had also developed in the UK. The majority of women working overseas were to be found in these countries, where remuneration rates are high, demand for domestic workers buoyant, and the support of significant expatriate Nepali communities plentiful. (*Vane and James; 1994: 253*)

In February 2001, the Malaysian Government officially opened its labour market to Nepali workers. Within six months, over 12,000 labour migrants had left for Malaysia, and within a year, Malaysia was hosting 85,000 Nepali migrant workers. In total, it is estimated in 1997 that the value of remittances from countries not including India amounted to between Rs 25 and 30 billion, or between US\$ 450 and 500 million about the same amount though to be coming from India. The bulk of this remittance came from Southeast Asia (Malaysia, Singapore and Brunei) and the Far East (Hong Kong, Japan and Korea). That number, combined with the remittances of India, would be between Rs 50 billion and 60 billion- nearly US\$ one billion and between 18 and 22 percent of Nepal's GDP- a very substantial contribution to the national accounts. With the approval of the Labour Act of 1985, the Government of Nepal officially recognized the potential value of foreign labour migration 'overseas' i.e. beyond the Indian subcontinent. The Labour act has facilitated arrangements for Nepali migration to a dozen specified countries, but the government has failed to develop a coherent labour export policy. Every five years, the Government of Nepal produces a plan as a policy guideline. Although the current 10th plan recognizes the importance of remittance to national accounts and the increasing demand for Nepali workers abroad, the

government is struggling to keep up with clearly formulated trends. (*Vane and James; 1994: 273*)

2.1.6 Internal Remittance

Internal remittances occur when there is movement of money from and within the country usually between the rural and urban areas or within urban to rural areas. Circulation of money is the lifeblood of any economy, and internal remittance is a key instrument in this circulation. As we can see many people of rural areas are migrating to the urban areas for the job. Thus, they are earning in the urban areas and sending the money to their family who lives in the rural areas. Hence, the money of urban areas is migrating to the rural areas. This is called the internal remittance. The fund could be transferred from urban to rural areas, rural to other rural areas as well.

2.1.7 Formal and Informal Channels

There are two channels used to transfer the remittance. Banks, Post Office and Money Transfer Operators such as western union are the active participants of formal channel.

The informal channels-such as remittances send through friends, family members, Hundi or remittances send in kind such as jewelry and other consumer goods.

These are the remittance systems which are well regularized with concerned authorities in the respective countries. These are mainly of following types: -

- Large, Global Remittance Services (like Western Union, Money Gram, Travelex etc.)
- Smaller, Niche-based Remittance Services (IME Nepal, Himal Remit etc.)
- Bank issued Traditional Remittances (DD/ SWIFT/ Telex Transfers)

Modes of Formal Transfers

In order to understand the way of formal transfers, following modes of transfers needs to be understood.

Demand Drafts / cheques

The remitter draws a demand draft or cheque and sends the same to the receiver. Receiver goes to his bank and encash such cheques/drafts. This is a traditional way of remitting funds and it not highly regarded in the present days where several other speedy modes are practiced.

Mail Transfers or Mail Orders

The remitter instructs its bank to remit certain sum of money to the beneficiary in written form. The bank executes the payment instruction if the beneficiary maintains an account with the same bank. In case the beneficiary maintains account with any other branch, the remitting bank sends negotiable instruments like cashier's order / manager's cheque / demand draft to other bank to execute such payments. This is, however, a dying product and many banks across the world have withdrawn this mode of payment.

Telegraphic Transfers or Tele Orders

This is similar to the Mail Transfer except that the message is sent to center 'B' by way of a telegram and the money is deposited the next day. The mode of instructions nowadays is increasingly the fax.

Electronic Mode

More and more banks are now offering electronic mode of transfer of funds like Electronic Transfer System though its well built systems and technology. Some banks have developed their own software to transfer funds within their group. Whereas others use telex to transfer funds. In the recent years, banks have found a reliable system called SWIFT (Society for Worldwide Interbank Financial Telecommunication). SWIFT transactions work through a series of language-independent data-code messages, piped through several multinational banks. Here, a remitter in one country gives his money to a bank, which then informs a third-party bank. The third-party bank then transfers an amount equal to the deposit from the first bank to a second and informs the second bank of the deposit. Second bank informs the final beneficiary about the payment and the fund is delivered to beneficiary after deducting bank charges. Thus, swift has created a

network and has enabled banks to communicate in a reliable and speedy way. This has greatly helped Nepalese banks to catch up to the Hundi networks and bring such informal remittance into the formal sector.

Retail Money Transferors

The other formal channels used by workers sending remittances are retail transfer systems like Western Union, Money Gram and IME. These retail transfer agents claim to offer a match for the hundi networks. All transactions are conducted digitally, allowing these systems to rival the speed and efficiency of the informal sector. After receiving a remitter's money in one country, a retail transfer agent enters the transaction into the network; in a matter of hours, the money is available at a company agent in the receiving country. Hundi / Hawala or similar service and transfer through self/ relative/ friends constitute the informal channel of remittance. These are one of the most common remittance methods and are done through individuals and Hawalas. Informal channels are called in different ways in different countries like it is known as Fei- Chien in China, Hundi in Pakistan and Bangladesh, Hawala in India and Middle East, Padala in Philippines, Hui Kuan in Hong Kong and Phei-Kwan in Thailand. Individual sends money via friends or relatives who are traveling back home. The Hawalas system operates on the trust built between the brokers. When the broker in the sending location/country is given the name and location of the recipient by the sender including the money to be remitted plus fee if any, the broker provides one secret code to the sender and contacts the local broker in the recipient location for payment to the recipient. While the sender conveys the secret code to the recipient through phone or email, the recipient collects the money from the local broker by confirming the secret code. Hence, under this system, no movement of cash physically or electronically but the broker pays out the money from the same pool they take in. After September 11, 2001 incident in USA (Terrorists' attack on Twin Towers in NY), the governments of almost all countries have discouraged such informal payment systems and these are hence expected to lose customers continuously to the faster and safer 'Formal Payment Systems' that are compliant with regulatory agencies. (*Westen, Fred and Copeland; 1992: 326*)

2.1.8 Parties Involved in Remittance

| | |
|-----------------|---|
| Remitter | : Person who sends money. |
| Remitting Bank | : Remitter's bank which receives fund from the remitter and sends fund. |
| Paying bank and | : Bank which receives message from remitting banks and pays to the beneficiary. |
| Beneficiary | : A person who is intended to receive money. |

For the purpose of transferring funds, bank maintains account and correspondent banking relations with various banks in the world.

Nostro Account

Account maintained by a bank with other banks. E.g. Nepalese Bank's account maintained at AMEX NY or ICICI Bank Mumbai or SCB London is the example of nostro account. Our accounts maintained at the book of these banks are nostro account and corresponding account maintained at our book to reflect the activities of these nostro accounts is termed as mirror account.

Vostrto Account

Other banks account maintained with us. E.g. Nepalese Bank's USD account maintained at AMEX NY is nostro account for us and the same account is vostro account for Amex NY. While transferring fund through banking channel the settlement of fund is always done through nostro and vostro account.

2.1.9 Modes of Remittance:

There are various instrument used for fund transfer service. Normal consideration for choice of one particular instrument against other will be based on factors such as speed, cost, purpose etc. Most frequently used instruments in remittance are

1. Demand Draft
2. Mail transfer and Telegraphic transfer (Fax transfer)
3. Travelers Cheque
4. SWIFT

5. Letter of Credit
6. Plastic Cards

(Khadka and Singh; 2006: 378)

2.1.10 Remittance in Nepal Investment Bank Limited

Nepal Investment Bank Limited (NIBL), operating under the guidelines set by The Government of Nepal and Nepal Rastra Bank (the Central Bank of Nepal), offers one of the safest and the most secured means of money transfer to Nepal. Remitters can send money to NIBL from any part of the globe through our correspondent banks, exchange houses and banks in the Middle East and using Prithivi Express, our in-house remittance software.

Swift Transfers

NIBL offers fast and reliable money transfer services through SWIFT. Your bank account with us can be credited with remittance from anywhere in the world. The remitter has to mention the NIBL's SWIFT Address "NIBLNPKT" and the beneficiary details to transfer money to Nepal through us. We cater the need of customers to remit fund anywhere in the world, denominated in major currencies through SWIFT.

Demand Draft

We have draft drawing arrangement with our correspondent banks in different countries. NIBL honors bank drafts drawn on/by various international banks denominated in major currencies like US Dollar, Euro, and Great Britain Pound etc.

Travelers Cheques

NIBL offers “American Express Traveler's Cheques” that is accepted worldwide.

Cash Management Services:

NIBL provides Cash Management Services in Nepal. Our Bank will help you to collect your bills receivables more efficiently if you are engaged in exporting goods to India. You can enroll yourself for the service and provide details of your buyer in India. Our

correspondent bank in India will collect cheque from your buyer and credit your account in a shorter time through us. NIBL is the authorized agent of leading remittance companies of the world including UAE, Qatar, Saudi Arabia, United Kingdom, United States and Malaysia, Kuwait, Europe. (*Khadka and Singh; 2006: 263*)

2.1.11 Prithivi Remit

Prithivi Remit is an international based and customer focused online money transfer product introduced by Nepal Investment Bank limited. It is web based remittance system that is accessible to its branches and domestic as well as international agents. It ensures prompt delivery of the remittance to beneficiaries. Prithivi Remit is monitored and serviced by NIBL Remittance Department to deliver fast and reliable service. It is a Java (front-end software) based money transfer system that automates inward and outward remittance. The main features of the product are: -

Accessibility and Authentication

- Internet Based Technology, thus easily accessible to our entire branches and agents network.
- Provide real time update on remittance request for prompt processing and delivery of payment.
- Provide secure and reliable means for accessing the product, uploading the transaction at Remitting Agent end and downloading the transaction at Paying Agent end.
- Authentication using Digital Certificates, User Name and Password.

Fund Management and Reconciliation

- Managing of fund replenished by the remitting agent against the remittance applied helps in fund management for the remitting agent.

Currency Conversion

- Updating exchange rate on daily basis.
- Quoting deal rate to Remitting Agent.
- Currency conversion as per the quoted rate.

Local Agents:

NIBL with its network of agents all over Nepal is well suited and effective in carrying out remittance operation.

International Networks:

NIBL is the authorized agent of the following leading remittance companies/banks:

- UAE
- Qatar
- Saudi Arabia
- United Kingdom
- United States
- Malaysia, Kuwait, Europe

www.cyclos.org

2.2 Review of Articles and Journals

Before writing this thesis many books, magazines, websites and some previous thesis submitted has been studied regarding the various aspects of banking and some of them are as follows:

Khadka (2007) has carried out research on “*A Comparative Study on Remittance of Commercial Banks HBL, EBL, SCBNL and NIBL*” with objective to find out the relationship between deposits, investments, loans and advances and net profit. She found that HBL is comparatively less successful in on balance sheet as well as off-balance sheet operations than that of other CBs. It predicts that in the coming days if it could not mobilize and utilize its resources as efficiently as other CBs to maximize the returns, it would lag behind in the comparative market of banking. Profitability positions of HBL are comparatively worse than that of other CBs. It predicts that HBL may not maintain the confidence of shareholders, depositors and its all customers if it cannot increase its volume even in future.

As the bank, experience many difficulties in recovering the loans and advances and their large amount is being blocked as non-performing assets. She suggested that there

are urgent needs to work out a suitable mechanism through which the overdue loan can be mobilized.

Shrestha, R. (2008) in his study "*Remittance Income in Nepal: Need for Economic Development*" has included the significance and the importance of remittance in Nepal or should say for the developing countries. He has pointed out the fact that remittance is a very important tool for the economic development. He has also mentioned the contribution of remittance to the GNP of the nation. Year by year the contribution to GNP has been increased. He has compared remittance with the foreign direct investment. Researcher has concluded that remittances and grants are claimed as an important source of increasing foreign exchange earnings in Nepal. Moreover, remittances may be a dependable source of national income for economic development if there is job guarantee for the workers with the wage level equivalent to the residence of the foreign country. Furthermore, the young and energetic generation remaining outside should be attracted to come back again with skilled knowledge and experience and to provide the way for utilizing their remittances in productive sector. Thus, remittance received so far taken by the country is considered as boon, and the government should pay attention to make workers confidence to deal with whatever anomalies arise in working places. Besides, the policy of providing permanent residence in outside for retired workers should be amended to continue the source of increasing remittance flow in Nepal.

The website of World Bank has shown that despite of conflict in Nepal, the poverty between 1996- 2006 has been decreased due to five drivers and the main driver which decreases the poverty is remittance. Many people of lower middle class family are migrating to India, Dubai, Qatar, and Malaysia etc. for the opportunities. Their families living standard has been increased due to the money they send to their family from abroad. And because of this the poverty level of the nation has been decreased than the past year.

Karki, M. (2009) on his "*Remittance- drives the economy*". In this research, researcher has concluded that remittance has driven the nation's economy. Though there was a very difficult situation in Nepal, remittance has been able to hold the economy of the country. Because of the huge increment in the remittance received by Nepal, GDP of the nation was stable, moreover say slightly increased at a severe time in the history of Nepal, where there was an internal disputes in country. Therefore, researched has concluded that remittance is a very important tool to drive the nation's economy. Moreover, they have mentioned that remittance is very important tool for the development countries like Nepal. The trend analysis conducted in term of remittance received by Nepal clearly showed that the growth rates of remittance are increasing day by day and year by year. As we can see in the present scenario that many people are migrating. Moreover, many people age between 18 to 40 have been migrating abroad in the search of opportunity. So, day by day the numbers of migrating people are also increasing and the day by day the amount of remittance received by Nepal have been increasing. As per the trend analysis, we expect NPR 110 Bio of remittance in Nepal. Looking to the increment of remittance flow in Nepal, it won't be a dramatic word if we say the remittance would be reached to NPR 200 Bio in Fiscal Year 2008.

This study has mentioned that remittance has recently become a major income source of rural economy in Nepal. Officially 285 persons (unofficially approx. 40-80 persons more) leave everyday from Nepal to work mainly in Gulf countries and Malaysia. Due to open border and recent conflict in Nepal, undocumented migration from villages of Nepal to India has rapidly increased. This case study has been designed and conducted in two villages namely Kalabang (inhabited by Gurung and Dalits) and Pumdi (inhabited by Brahmin and Chhetri) of Kaski district. Therefore, this study does not include total volume of remittance flow in Nepal. This study has shown the comparative migration patterns of two villages and impact of remittances at household level. The procedure of money transfer and impact of the remittances to the household in particular and to the local economy has been shown in this study.

Shakya, A.S. (2010) "*Work-related migration and poverty reduction in Nepal*" using two rounds of nationally representative household survey data in this study, the authors measure the impact on poverty in Nepal of local and international migration for work. They apply an instrumental variable approach to deal with nonrandom selection of migrants and simulate various scenarios for the different levels of work-related migration, comparing observed and counterfactual household expenditure distribution. The results indicate that one-fifth of the poverty reduction in Nepal occurring between 1995 and 2004 can be attributed to increased levels of work-related migration and remittances sent home. The authors also show that while the increase in work migration abroad was the leading cause of this poverty reduction, internal migration also played an important role. The findings show that strategies for economic growth and poverty reduction in Nepal should consider aspects of the dynamics of domestic and international migration.

"Foreign Labour Migration and the Remittance Economy of Nepal" in 2006, In this study authors have mentioned the number of foreign labour migration and the remittance received from the different country. This study has showed the value of remittance to rural households. The study has covered the unrecognized remittance economy of Nepal as well. Researchers have requested government to establish that type of system which helps to recognize these types of unrecognized remittance flow in Nepal.

"Nepal's Remittance Bonanza" in 2006, has highlighted the fact that Nepalese working abroad earns more hard currency for their home country than all exports, tourism and foreign aid put together. Study has mentioned that in past no one was marking the data of labour migration and the remittance flow in Nepal. However, mainly from 1982, government has recorded the flow of remittance and the number of people migrating from the country. Before 1982, only the remittance send by Gurkhas are recorded. But now, remittance send by all people have been recorded. It has also showed the data of remittance sent by Gurkhas. However, this study doesn't mention all the remittance received in the recent years as this study is made a long time before.

The website of Nepal Rastra Bank shows the data of remittance received by Nepal in the respective years. As per the data presented by Nepal Rastra Bank, the volume of remittance has been substantially increased in the recent years. However, Nepal Rastra Bank's site only shows the data of remittance recorded which has flows from the formal channels. It does not include the volume of remittance flow from the informal channels. Hence, the data presented by Nepal Rastra Bank obviously does not show the actual volume of remittance flow in Nepal for the period. As we know that the huge amount of remittance flows through informal channels. Therefore, the increment showed by Nepal Rastra Bank in remittance field must be less than what it should be due to the informal channels.

The article published on Himal South Asian Magazine on 2005- "*Remittance Economy*" analyst Pranab M Singh. Article has mentioned that the huge numbers of Nepalese people are migrating every day. The study has mentioned the reason behind this migration is not finding the satisfactory work in the country. Many people are migrating to the abroad in search of opportunities. Nowadays, the flow of remittance has been mostly under formal channels as the informal channels are out of date. However, a person who does not wants to pay the commission charge to the institutions uses the informal channels.

2.3 Review of Thesis

Ghimire (2008) "*A study on Foreign Employment and Workers*" Remittances in Nepal' main objectives are to ascertain the historical track records of migrants and workers' remittances in Nepal, evaluate the existing government policies about foreign employment and role of government to harness maximum benefit from remittance, and to analyze the issues pertaining to Nepali women migrant workers.

Major Findings Drawn by the Study are Following:

- Significance of Remittance in Nepalese Context ,Conflict and Labour Migration, Trends of Foreign Employment and Worker's Remittances in National Perspective, Documented Nepali Labour Migrants and their Concentration.

- Inflow of Workers' Remittances in Nepal, Participation of Women in Foreign Employment and their share in Total Remittance Earnings, Government's Effort to Channelize the Worker's Earnings.
- The Impact of Remittances on National Economy , Poverty Impact of Remittances, Use of Remittances in Nepal, Weak Implementing Aspect of National Act.

K C. (2009) study on "*Role of Remittance in Rural Poverty Reduction; A case study of Khilung Deurali VDC, Syangja* " took a particular study area i.e., Khilung Deurali VDC. The main objective of the study was to analyze the role of remittance in rural poverty reduction of the study area. And the specific objectives of this study are to examine general poverty scenario of the study area, to analyze the nature and extent of remittance income in the study area and gauge the impact of emigration on poverty reduction of the study area.

Major Findings Drawn by the Study are Following:

- Major reasons to seek foreign employment include unemployment, family debt burden, conflict problems and to earn more money than which they are earning in their own country.
- Most of the respondents went through manpower agencies and very less through unregistered agents or personal initiative.
- More than 50% respondents used formal channels. Among the remittance amount, large portion is used for household expenses and very less for investment and social spending.
- It has indirectly help in improve social living standard; education, health condition, housing condition, etc. Lastly, he has suggested promoting transferring money through formal channel, utilizing the remittance in productive sector, and training the migrant so they get good payment as skilled labor.

Panday (2007) study on "*Economic Implication of Foreign employment and inward Remittance Business in Nepal*" has focused his study on analyzing more specifically the pros and cons of the foreign employment and inward remittances and its economic

implications. On the thesis, the researcher has explored main objectives as current state of foreign employment, nature, mode and volume of inward remittance generated from the foreign employment, nature and possibilities of investment opportunities for families receiving the remittance and difficulties faced in obtaining these figures and also micro and macro economic implications of the inward remittance and its contribution in our Gross Domestic Products.

Major Findings drawn by the Study are Following:

- It has opened a new area of research to the economists and politicians.
- She also alerted because of the lot of traditional or emerging new reasons, the remittance sector also would go in jeopardy if timely and proper policy measures and strategic actions are not adopted.
- Majority of the foreign job seekers didn't have skills and took unskilled labor jobs in industries. And most of them went for foreign employment by taking loan.

Tamang (2010) at last, the *“Researcher concluded that foreign employment and remittances is one important component of national economy”*. Remittance cannot serve the long- term objectives of a country. For this, all the responsible bodies' initiations and drives need to be directed to a safe, reliable, diversified and sustainable remittance system. And recommended that the Government should pay special consideration about developing proper practice and policy about it and the entered remittance should be utilized on productive sector.

Major Findings Drawn by the Study are Following:

- On the basis of various analyses, the researcher comes out with the following findings and conclusions; foreign employment and remittances are two interlinked variables.
- Higher volume of inward remittance coming inside the country as depicted in the report of the Central Bank is a clear indication of the equally higher outflow of Nepalese worker leaving the country every year.

- It was hence felt that these two variables be studied co- relating on with the other. Because of failure to transform our economy for subsistence agriculture sector to industry, service, tourism, trade, etc,

Neupane (2011) “A study on Foreign Employment and Workers” Remittances in Nepal’ main objective Nepal is facing the slow growth of employment opportunities. Both developed as well as developing economies have much to gain from an increased flow of workers. And, unexpectedly the foreign labour migration has developed in such a way which has shifted the agricultural based economy towards remittance based economy. Sending remittances from abroad to the remitter’s country of origin is not as easier as it may sound. It consist different procedure and process and different problems as well. Because of political instability and security problem, most part of country has been deprived of basic banking facilities. Unless addressing the problems from the policy level, solution is far behind. Thus, NRB gave approval to the private sector to facilitate in the business of inward remittances. Sending and receiving money have become easier in comparison to what it used to be earlier. Still dominated by the informal channels of sending money in the remittance business, NRB’s step has to a larger extent contributed in diverting the inward remittance from the informal channels to formal channel. With over 200 sub agents appointed to various parts of country by private money transfer companies, it has became greater options in selecting nearest location from the remittance could be collected.

Major Findings Drawn by the Study are Following:

- Undoubtedly the inward remittance has provided a greater cushion and financial strengths to its recipients and would have multiplier effect if been meaningful utilized in micro level which boosts macro activities and raises socio economic status.
- With reference to the utilization of remittance according to the study concludes that the remittances earnings were primarily used for household purposes, purchase of land, house, repayment of loan and interest for migration and other purposes, paying off loan, etc.

Shrestha (2012) "*Furthermore, recommended regarding inward remittances that NRB* " in co- operation with the government and non-governmental institutions should come up with some concrete measures; formalizing the inflow of remittances, explore possibilities to lower the transfer costs, productive use of remittances money for the betterment of the people and economy, announcement of general principles by the Nepal government and the regulating authorities as the public policy guidelines for achieving safe and efficient foreign remittance services.

Major Findings Drawn by the Study are Following:

- He concluded his study stating that the country needs to capitalize on the huge reservoir of labor through a consistent policy, especially foreign employment policy.
- Earning form foreign employment could change the development status of the country by substantially contributing to poverty alleviation, which is the cynosure of the tenth plan.

2.4 Research Gap

The previous research and the research made by myself do not have a much gap between them. I have included both the formal and informal remittance as others have done. In this research, I have included both inward and outward remittance from the different parts of the world.

This research has highlighted the remittance flow from India as well. As we know that many people have migrated to India because of the no border maintained with the many districts of Nepal. Therefore, the remittance has also flown in a large number to India and from India to Nepal. Many of the migrated people to India have been using the informal channels to send the remittance. Many previous researchers have not focused on the outward remittance from Nepal and had mainly mentioned regarding the inward remittance received by Nepal. However, I have tried to make a focus on the outward remittance although the volume of outward remittance is not so large like the inward remittance but I thought that people should have clear picture regarding the net

remittance received by Nepal in the respective years. Moreover, the data's of my research are up to date which a big thing for any research is obviously. In addition to this, I have tried to mention the difficulty to provide the actual number of remittance because of the remittance flows through the formal and informal channels.

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology is a set of rules and procedures that are considered while conducting the research. It refers to the aggregate of the research design used, data collection technique used, sampling design implemented, statistical tools and techniques employed and so on. Research methodology has now a due place in the academic programs of the universities in Nepal. The research orientation and activities are encouraged in the college and universities in order to reinforce and improve learning, and to enhance analytical and research skills. Also, it is now widely accepted that an understanding of the concepts and methods of research is not just the concern of the university family, but is essential for other professionals working in different fields. Thus, over the past few decades, the level of interest in research methodology has exploded.

The knowledge of research method helps the researcher to find out the exact problem and suggest possible solution before the situation gets out of control. Basically, there are four methods of research. They are: -

- i. Policy Research
- ii. Action Research
- iii. Evaluation Research
- iv. Managerial Research

This study deals with the evaluation of effectiveness in the advertisements that are produced by different ad agencies on behalf of the respective companies. Thus, this study has used the evaluation research method which includes research design, population and sample, nature and sources of data, data collection etc. which will be further dealt in detail.

3.1 Research Design

A research design is the arrangement of conditions for collection and analysis of data that aim to combine relevance to the research purpose with economy in procedure. Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to objective of this study. To achieve the objective of this study, descriptive and analytical research design has been used.

It is the process which gives us an appropriate way to reach research goal. It includes definite procedures and techniques which guide in sufficient way for analyzing and evaluating the study. This study is carried out by using both quantitative and qualitative analysis methods. Mostly, secondary data has been used for analysis, but the discussion and personal interview with the concerned employees of the selected bank is also used for qualitative analysis. Hence, research design of this study is based on descriptive and analytical method.

3.2 Population and Sampling

There are 31 commercial banks in Nepal according to NRB . Out of these, NIBL is selecte to analyze Remittance Business. The annual financial report is the population of the study. It is quite difficult to adopt the whole population in this study, sample of the 5 years financial statements are take for the study. The sample of the study comprise financial ststement of NIBL.

3.3 Nature of Data

The word 'data' in a simple sense is aggregate of facts which can numerically be expressed. Data are raw, facts or unanalyzed number which provides some important information after they are processed. Data are gathered for making correct and important decision concerning the field of enquiry. However, depending upon the nature of data, they are classifies as secondary data.

Secondary Data

Secondary data are those which are originally collected by other but obtained from some published or unpublished source. These are not original in character. These data are actually copied from primary data. It means that primary data once collected and published become secondary data for those other investigators. The source may include books, periodicals, published reports etc. In this research, we have mainly used the secondary data collected from the books, website, internet and the articles of magazines.

3.4 Sources of Data

The main sources of data for this study are secondary data. Besides, necessary suggestions are taken from various experts both inside and outside of the bank whenever required. Other sources of data are: Annual report of Investment Bank

- Nepal Rastra Bank Publications such economic review, mirmire, etc

3.5 Methods of Data Analysis

Financial performance is analyzed through the use of two important tools. The first most important Secondary tools.

3.5.1 Financial Tools

In this research study, there are various financial tools but only selected ratios are used on the study: -

3.5.1.1 Ratio Analysis

Although there are many financial tools, we have no extensively used ratio analysis method. The suitable process of knowing the financial strength and weakness of the company by properly establishing relationships between the items and the balance sheet and the profit and loss account is “Financial performance analysis”. Ratio analysis is a power tool of financial analysis. To achieve an effective result ratio must analyzed in a comparative basis. “The technique of ratio analysis is a part of the whole

process of the analysis of the financial statement of any business or industrial concern especially to take out put and credit decision.”

“In financial analysis, a ratio is used as a bench mark for evaluating the financial position and performance of a firm.”

The following ratios are going to be analyzed under the remittance analysis of Nepal Investment Bank.

- a) Remittance received by NIBL to Total remittance received in Nepal Ratio
- b) Commission received by NIBL to Remittance received by NIBL Ratio
- c) NIBL Remittance by Cash and Bank Balance Ratios.
- d) NIBL Remittance by Total deposit Ratio
- e) NIBL Remittance by Loan and Advances Ratio
- f) NIBL Remittance by Investment Ratio
- g) Net profit by NIBL Remittance Ratio

a) Remittance received by NIBL to Total Remittance received in Nepal Ratio: -

This ratio measures the remittance received by NIBL in terms of total remittance received by Nepal. It shows the proportion of remittance received by NIBL.

$$\begin{aligned} & \text{NIBL Remittance to Nepal Remittance Ratio} \\ & = \frac{\text{Remittance received by NIBL}}{\text{Total Remittance received in Nepal}} \end{aligned}$$

b) Commission received by NIBL to Total Remittance received by NIBL Ratio: -

This ratio is used to measure the proportion of commission received by NIBL in terms of Total remittance received by NIBL. The ratio is calculated as: -

$$\% \text{ of Commission in Total Remittance} = \frac{\text{Commission Received By NIBL}}{\text{Total Remittance received by NIBL}}$$

c) **Remittance by Cash and Bank Balance Ratio:** - This ratio indicates the ability of bank to use remittance money into cash and bank balance. Since cash and bank are the liquidity position of bank, more the amount of remittance would create greater liquidity. Remittance can be used as short term liquidity for the bank.

$$\text{Remittance to Total Deposit Ratio} = \frac{\text{Remittance}}{\text{Cash and Bank Balance}}$$

d) **Remittance to Total Deposit Ratio:** - Remittance is the short term liquidity of the bank which also create deposits into the bank. So, this ratio is calculated to know how much remittance is contributed to Total deposit.

This ratio is calculated as: -

$$\text{Remittance to Total Deposit Ratio} = \frac{\text{Remittance (NIBL)}}{\text{Total Deposit}}$$

e) **Loan and Advance to Remittance Ratio:** - This ratio shows how much remittance money is used in loan and advance. It is calculated as: -

$$\text{Loan and Advance to Remittance Ratio} = \frac{\text{Loan and Advance}}{\text{Remittance}}$$

f) **Remittance to Investment Ratio:** - This ratio basically measures the capacity utilization out of the Remittance. This ratio is calculated as : -

$$\text{Remittance to Investment Ratio} = \frac{\text{Remittance}}{\text{Investment}}$$

g) **Net Profit to Remittance Ratio:** - This relationship describes how much the remittance does contribute in the net profit of NIBL. This is computed by dividing net profit to Remittance.

$$\text{Net Profit to Remittance Ratio} = \frac{\text{Net Profit}}{\text{Remittance}}$$

3.5.2 Statistical tools

The statistical tools related for the comparison of NIBL is as follows: -

3.5.2.1 Arithmetic Mean

Arithmetic mean or simply a ‘mean’ of a set of observation is the sum of all the observations divided by the number of observation.

Arithmetic mean is also known as the arithmetic average. In general x_1, x_2, \dots, x_n be the n values of the variable than their arithmetic mean is denoted by \bar{x} mean is defined by: -

$$\bar{X} = \frac{X_1 + X_2 + \dots + X_n}{n}$$

$$\text{Or, } \bar{X} = \frac{\sum X}{n}$$

3.5.2.2 Standard Deviation (S.D.)

The standard deviation is the absolute measures of dispersion in which the drawbacks present in other measures of dispersion are removed.

Standard deviation is defined as the positive square root of the mean of the square of the deviation taken from the arithmetic mean. It is denoted by

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum (X - \bar{X})^2}{n - 1}}$$

Where,

X = Expected return of the historical data.

N = Number of observations.

3.5.2.3 The Co-efficient of Variation (C.V.)

The relative measure of dispersion is the co-efficient of variation, comparable across distribution, which is defined as the ratio of the standard deviation to the mean expressed in percent.

In symbol: -

$$C.V. = \frac{\sigma}{\bar{x}} \times 100$$

Where,

σ = Standard deviation

\bar{X} = Mean value of variances

Coefficient of variance is also useful in comparing the amount of variation in data groups with different mean. It is the relative measure of dispersion. A distribution with smaller coefficient is said to be more homogeneous than the other. On other hand, a series with greater coefficient of variance is said to be more variable of heterogeneous than the other (Gupta, S.C.; 2000:416)

3.5.2.4 Correlation of Coefficient

The coefficient of correlation measure the degree of relationship between two sets of sigma. There is various method of finding out coefficient of correlation but Karl Pearson's method is applied in the study. The result of correlation coefficient is always between -1 and +1. It is indicated by r. When r is +1, it means there is perfect relationship between two variables and vice-versa. When r = 0, it means there is no relationship between two variables. The compute formula is mentioned below: -

$$r = \frac{n \sum XY - \sum X \cdot \sum Y}{\sqrt{[n \sum X^2 - (\sum X)^2]} \cdot \sqrt{[n \sum Y^2 - (\sum Y)^2]}}$$

Where,

n = No. of observation

$\sum X$ = Sum of observation in series X

$\sum Y$ = Sum of observation in series Y

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

4.1 Contribution of Remittance in Nepal

Remittance is the major component of economy which plays a vital role in increasing current transfers in balance of payments. The basic factors of determining current transfers are grants, workers' remittances, pensions and others including excise refund also.

Remittance is the flow of money from one economy to another, which is sent by migrant workers. It can be both internal and external. External remittance plays a vital role in the development of economy. Remittance creates multiplier effect in domestic economy. Money coming through remittance increases savings and investments. Due to increased investments, employment opportunities increases which helps in the development of the economy. Remittance also has positive effects on BOP (Balance of payment), reserves and decreases the need for aids and grants.

Nepalese started to go out of the country for employment since Sugouli Treaty. IN 1815/16 Gurkhas were enrolled in British Military services. However, the importance was recognized only after 1990. Nepal's economy, at present, is surviving on remittance. Everyday around 550 Nepalese, leave for foreign employment. More than 1.5 million Nepalese are working abroad.

Remittance has a broad positive impact on the national economy of Nepal. Industry, export, agriculture and tourism which are considered as the major contributors of the economy have been badly influenced by the ongoing insurgency. In such circumstances more and more people especially from the rural areas are leaving the homeland in search of employment. The World Bank report has listed Nepal as one of the 20 top remittance recipient countries of the world.

The total remittance received in Nepal is shown as below: -

Table: 4.1
Total Remittance received in Nepal

Rs. in '000'

| Fiscal Year | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|--------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Shrawan | 5939.5 | 7713.0 | 9364.4 | 12289.4 | 16623.0 |
| Bhadra | 6035.1 | 7924.8 | 8973.7 | 169446.2 | 18367.7 |
| Asoj | 6514.7 | 8124.2 | 9504.4 | 17343.1 | 16761.3 |
| Kartik | 8573.6 | 7911.3 | 104006.2 | 16877.2 | 15897.3 |
| Mangsir | 9709.3 | 8608.8 | 9131.4 | 15086.0 | 19097.1 |
| Poush | 9139.1 | 7987.3 | 9678.2 | 15760.0 | 19443.1 |
| Magh | 7544.3 | 7728.3 | 11943.0 | 15100.6 | 18124.9 |
| Falgun | 7752.6 | 8353.0 | 13421.2 | 21605.4 | 19643.9 |
| Chaitra | 9065.4 | 8037.8 | 11425.7 | 19413.4 | 20970.7 |
| Baisakh | 7600.6 | 7890.4 | 14924.1 | 18753.8 | 21514.4 |
| Jestha | 9820.4 | 10825.9 | 16336.5 | 19705.7 | 24724.5 |
| Ashad | 9993.9 | 9040.0 | 17573.9 | 20817.7 | 20557.4 |
| Amount | 97688.5 | 100144.8 | 142682.7 | 209698.5 | 231725.3 |

(Source: - Nepal Rastra Bank Bulletin; 2012)

The above table 4.1 shows the total remittance received in Nepal from fiscal year 2007/08 to 2011/12. From the above table we can see that the highest remittance received is in the year 2011/12 which is Rs. 231725.3 thousands and lowest remittance received is in the year 2007/08 which is Rs. 97688.5 thousands. The total highest remittance collected in the month of 2011/12 is in Jestha which is Rs. 24724.5 thousands and lowest is in the month of Kartik which is Rs. 15897.3 thousands. This shows that every year remittance receiving is increasing, which shows good impact as higher volume of money is entering inside Nepal. As remittance contributes to GNP (Gross National Product), government should encourage foreign employment.

4.2 Remittance Collected by NIBL

Nepal Investment bank has been providing remittance business service since from the beginning years of its establishment. Remittance has also been an integral aspect to support the profitability

of the bank. Before introducing various products of remittance and going into its detail aspects, following structure of the remittance department has been presented.

Below the table 4.2 shows the total remittance received by NIBL from fiscal year 2007/08 to 2011/012. From the table we can see that the highest remittance received is in the year 2011/012 which is Rs. 10231.20 thousands and lowest remittance received is in the year 2007/08 which is Rs. 1713.70 thousands. This shows that every year remittance receiving by NIBL is increasing, which shows good impact as higher volume of money is entering inside Nepal. As remittance contributes to economy and Balance of Payment, thus government should encourage foreign employment.

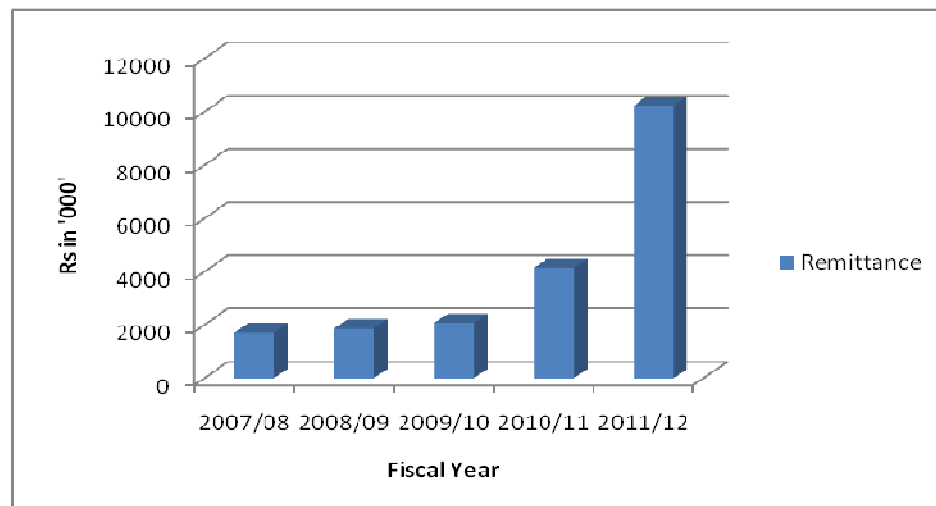
Table: 4.2
Total Remittance received by NIBL

Rs. in '000'

| Fiscal Year | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|-------------|---------|---------|---------|---------|----------|
| Remittance | 1713.70 | 1862.50 | 2069.50 | 4143.60 | 10231.20 |

(Source: - NIB; Remittance Department)

Figure: 4.1
Remittance received by NIBL



The figure 4.2 shows the remittance received by NIBL from the fiscal year 2007/08 to 2011/012. The figure clearly shows the increasing trend of the remittance received by NIBL. The ratios are

in increasing trend and in the fiscal year 2011/012, the remittance ratio is very high when we compare with the preceding year 2010/011. It is nearly two and a half times greater than previous year. Since remittance business of NIBL is increasing, it provides greater opportunity to the bank to maintain short term liquidity and earning greater commission in the remittance service. Remittance business is very important and needed for a developing country like Nepal. So, NIBL has played a vital role for economic growth.

4.3 Comparisons between Total Remittance and NIBL Remittance

The comparisons between total remittance and NIBL Remittance shows that how much total remittance NIBL collected in the particular year from the total remittance received in Nepal. From the comparison we can clearly see the NIBL remittance and can get clear picture of the remittance business of NIBL. The following table shows the comparison between total remittance and NIBL remittance;

Table: 4.3

Ratio of Total Remittance Received by NIBL to Total Remittance Received in Nepal

Rs. in '000

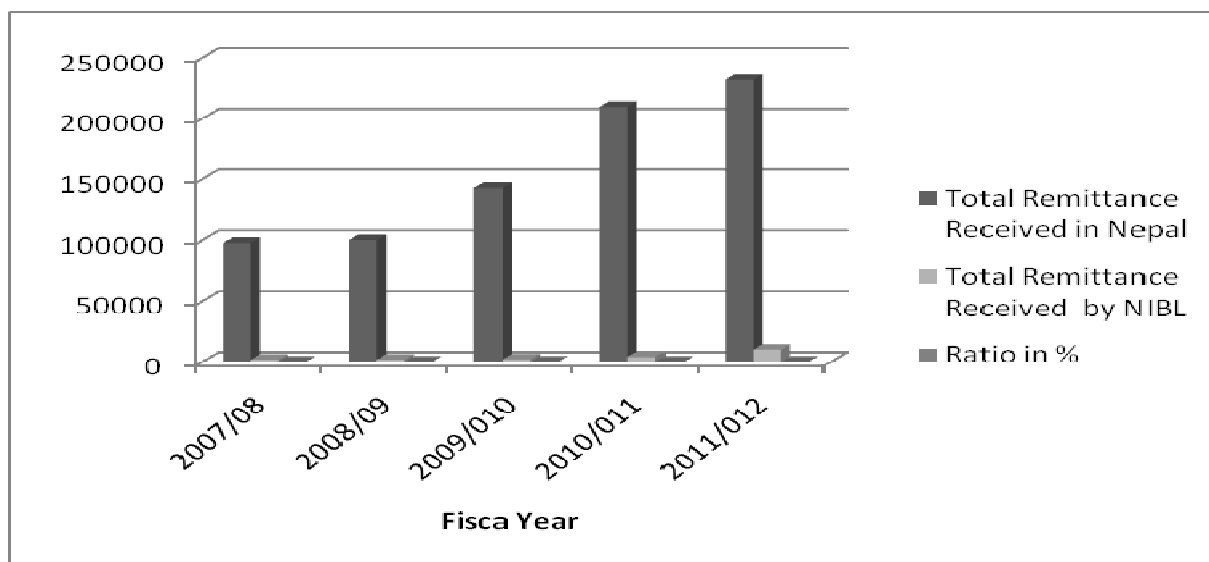
| Fiscal Year | Total Remittance Received in Nepal | Total Remittance Received by NIBL | Ratio in % |
|--------------------|---|--|-------------------|
| 2007/08 | 97688.5 | 1713.70 | 1.75 |
| 2008/09 | 100144.8 | 1862.50 | 1.85 |
| 2009/010 | 142682.7 | 2069.50 | 1.45 |
| 2010/011 | 209698.5 | 4143.60 | 1.97 |
| 2011/012 | 231725.3 | 10231.20 | 4.41 |

(Source: - NRB, and NIBL; Remittance Department)

Figure: 4.2

Comparison between Total Remittance and Remittance received by NIBL

(Rs. '000')



The above table 4.3 shows the comparisons between total remittance in Nepal and remittance received by NIBL. From the above figure there is a very high difference from the total remittance received. There are many Remittance business doing for example Western Union Money Transfer, Prabhu Money Transfer, and also many Commercial banks doing remittance business in Nepal.

4.4 Number of Total Transaction done in Remittance by NIBL

The following table shows the number of transaction done by NIBL in remittance service: -

Table: 4.4

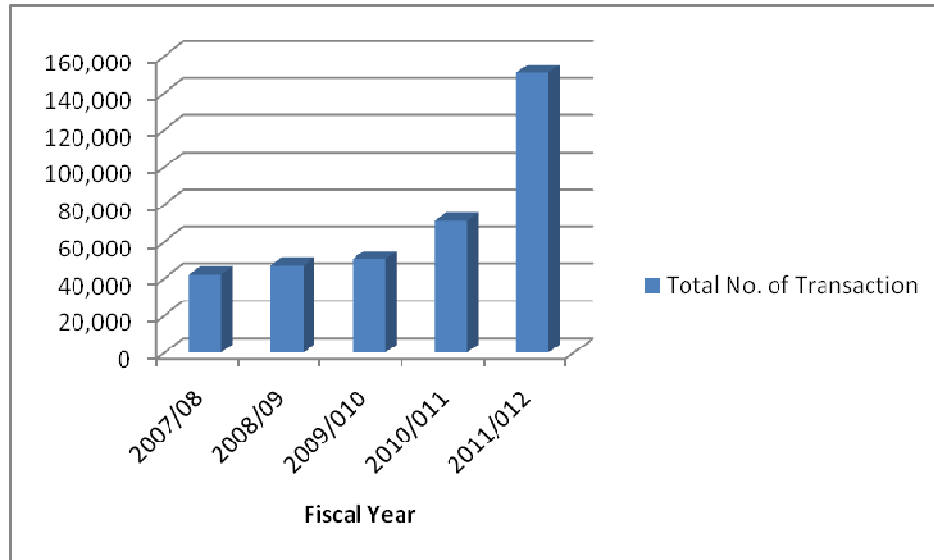
Total Number of Transaction done by NIBL

| F.Y | Remittance | Total No. of Transaction |
|----------|------------|--------------------------|
| 2009/010 | 20695 | 50,425 |
| 2010/011 | 41436 | 70,983 |
| 2011/012 | 102312 | 150,800 |
| 2007/08 | 17137 | 42,006 |
| 2008/09 | 18625 | 46,750 |

(Source: - NIBL; Remittance Department)

Figure: 4.3

Total Number of Transaction done by NIBL



The table 4.4 shows the total remittance received by NIBL and the number of transactions done throughout the year. From the table analysis, we can see that the remittance including total number of transactions are increasing every year. The highest number of transaction is in the year 2011/012 where there is 150,800 transaction and lowest is in the fiscal year 2007/08 where there is 42,006 transactions. Since, the number of transaction is increasing every year we can conclude that there are many people going abroad for working and sending money to Nepal as a medium of remittance. Thus, growing remittance will be very beneficial for the economy of the country for the developing country like Nepal.

4.5 Remittance Received from India

Eastern and western development regions have had opportunities for foreign employment other than India because of the history of British Gorkha whereas mid-western and far western region are more attracted to the neighboring country, India for foreign employment. There are estimated 6-10 lakhs of Nepalese are working as a Temporary worker in India (NIDS, 2010). According to 'Study Report on Remittance from India' published by NRB, the migrant workers' remittances alone contribute to 24.5% to the country's GDP in 2011/012 while the contribution of remittance from India stood at 2.8% majority of remittance from India are through Informal Channel.

Therefore, among those developing and transition economies where labour market slack is a chronic problem, exporting labour in return for remittance poses an attractive component of a development strategy.

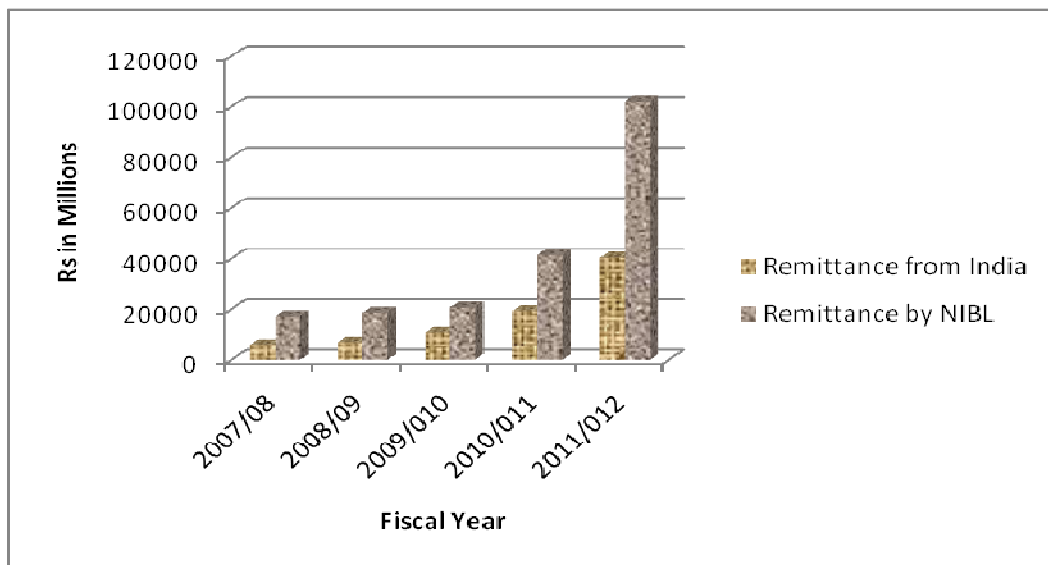
Table: 4.5
Remittance Received from India by NIBL

Rs. in million

| F.Y | Remittance from India | Remittance by NIBL | Percentage |
|----------|-----------------------|--------------------|------------|
| 2007/08 | 6080 | 17137 | 35.48 |
| 2008/09 | 7031 | 18625 | 37.75 |
| 2009/010 | 10923 | 20695 | 52.78 |
| 2010/011 | 19281 | 41436 | 46.53 |
| 2011/012 | 40382 | 102312 | 39.47 |

(Source: - NIBL; Remittance Department)

Figure: 4.4
Remittance Received from India by NIBL



The table 4.5 shows the remittances received from India and the total remittance received by NIBL. The highest remittance received is in the fiscal year 2011/012 where it is Rs. 40382 million and lowest is Rs.6080 millions in fiscal year 2007/08. The highest percentage of remittance received is in year 2009/010 where there is 52.78% and lowest percentage of remittance received

is in year 2007/08 where there is 35.48%. India is near to Nepal and the remittance business is started from India. India is the main country which provides greater remittance to Nepal since there is no restriction in the boarder and no need of passports.

4.6 Remittance received from Other Part of the World by NIBL

The remittance business is collected from many parts of the world but mainly the remittance money is collected from Quarter, United Arab Emirates, Saudi Arabia and other part of the world. So the table below shows the remittances collected from different countries which are as follows:

Table: 4.6

Remittance Received from other part of the world in percentage

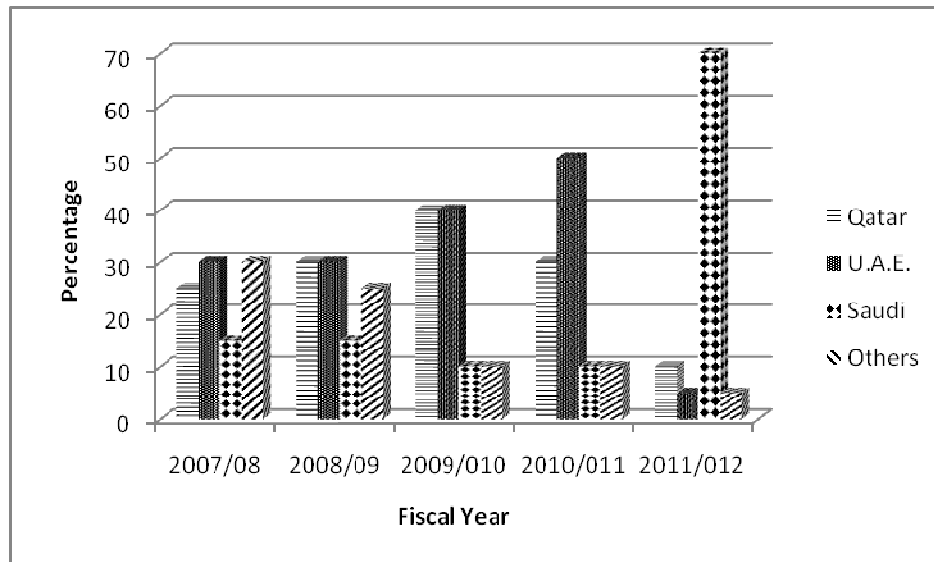
| F.Y | Qatar | U.A.E. | Saudi | Others | Total |
|----------------|--------------|---------------|--------------|---------------|--------------|
| 2007/08 | 25 | 30 | 15 | 30 | 100 |
| 2008/09 | 30 | 30 | 15 | 25 | 100 |
| 2009/010 | 40 | 40 | 10 | 10 | 100 |
| 2010/011 | 30 | 50 | 10 | 10 | 100 |
| 2011/012 | 10 | 15 | 70 | 5 | 100 |
| Average | 27 | 31 | 24 | 16 | 100 |

(Source: - NIBL; Remittance Department)

The Table 4.6 shows the total remittance received from Quarter, Dubai, Saudi and other part of the world. The amount is calculated in percentage due to insufficient data received from the remittance department of NIBL. For comparison between the countries, we have taken an average ratio. The highest average ratio is Dubai where there is 31% and the lowest ratio is other part of the world where there is 16%. In 2011/012, Saudi has the highest remittance sender from where there is 70% in comparison and lowest is Dubai and Other countries where there values are 5% each. These countries are the third countries from where remittance money is getting highly after India.

Figure: 4.5

Remittance receive from other part of the world in percentage by NIBL



The above figure shows the remittance money received by NIBL from Quarter, Dubai, Saudi and other part of the country. The bar diagram shows that Saudi has the highest remittance collection in the year 2011/012 which is comparatively very high in comparison to other countries.

4.7 Financial Ratio analysis

Various ratios are computed from the balance sheet and profit and loss account. For remittance financial data are compared to know how much remittance service affects in the financial system of Nepal Investment Bank. The important tools of the ratio analysis are as below: -

4.7.1 Remittance received by NIBL to Total Remittance Ratio: - This ratio measures the bank's ability to earn a commission on service rendered on the remittance. It measures the return on remittance. The ratio is calculated by dividing commission on remittance by remittance. A higher ratio usually indicates efficiency of a bank.

Table: 4.7

Remittance received by NIBL to Total Remittance Ratio (in percentage)

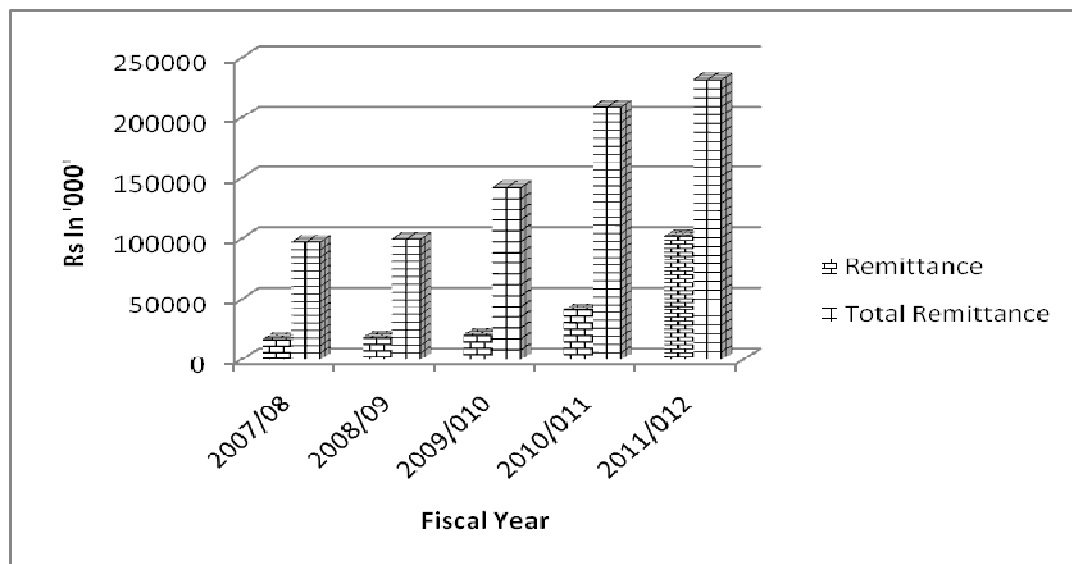
(Rs. in '000)

| F.Y | NIBL | | |
|----------|------------|------------------|---------------|
| | Remittance | Total Remittance | Ratio |
| 2007/08 | 17137 | 97688.5 | 17.54 |
| 2008/09 | 18625 | 100144.8 | 18.60 |
| 2009/010 | 20695 | 142682.7 | 14.50 |
| 2010/011 | 41436 | 209698.5 | 19.76 |
| 2011/012 | 102312 | 231725.3 | 44.15 |
| | | Average | 22.91 |
| | | SD | 12.03 |
| | | C.V. | 52.52% |

(Source: - Appendix 1)

Figure: 4.6

Remittance received by NIBL to Total Remittance Ratio



(Source: - Table 4.7)

The table shows the ratio of remittance received by NIBL to total remittance received by Nepal and the ratios are in increasing trend except in the fiscal year 2009/010. In NIBL, the ratios ranges from 14.50% (2009/010) to 44.15% (2011/012) and the average is of 22.91%. The ratio shows that on average 22.91% of total remittance is received by NIBL bank. Higher the ratio indicates higher the proportion on total remittances. The standard deviation of NIBL is 12.03 and C.V. is 52.52% which indicates high risky and high variation in the ratio.

The above figure 4.7 shows the moving ratios of NIBL from the fiscal year 2007/08 to 2011/012. From the above figure, it is clearly seen that the ratios are in increasing trend. From the fiscal year 2007/08 to 2011/012 there has been increment but only in fiscal year 2009/010 there has been decrement in the ratio of the study period.

4.7.2 Commission on remittance to Remittance Ratio: - This ratio measures the bank's ability to earn a commission on service rendered on the remittance. It measures the return on remittance. The ratio is calculated by dividing commission on remittance by remittance. A higher ratio usually indicates efficiency of a bank.

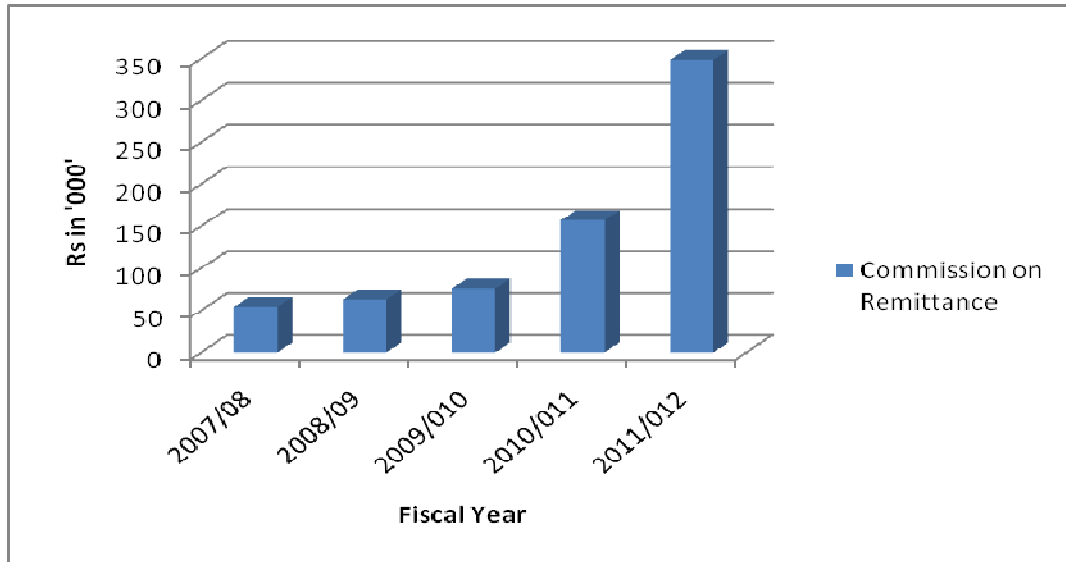
Table: 4.8
Commission on Remittance to Remittance Ratio (in percentage)
(Rs. in '000)

| | NIBL | | |
|------------|---------------------------------|-------------------|---------------|
| F.Y | Commission on Remittance | Remittance | Ratio |
| 2007/08 | 54.11 | 17137 | 0.32 |
| 2008/09 | 63.05 | 18625 | 0.34 |
| 2009/010 | 75.72 | 20695 | 0.36 |
| 2010/011 | 157.15 | 41436 | 0.38 |
| 2011/012 | 348.47 | 102312 | 0.34 |
| | | Average | 0.35 |
| | | SD | 0.02 |
| | | C.V. | 5.85 % |

(Source: - Appendix 2)

Figure: 4.7

Commission on Remittance to Remittance by NIBL



(Source: - Table 4.8)

The table shows the ratio of commission on remittance to remittance by NIBL. In NIBL, the ratios are in increasing trend except in the fiscal year 2011/012. In NIBL, the ratios ranges from 0.32% (2007/08) to 0.38% (2010/011) and the average is of 0.35%. The ratio shows that on average 0.35% of commission is generated from total remittance received by NIBL. Higher the ratio indicates higher the commission in terms of total remittance received by NIBL. The standard deviation of NIBL is 0.02 and C.V. is 5.85% which indicates less risky and less variation.

4.7.3 Remittance to Cash and Bank Balance ratio: - This is computed by dividing remittance by cash and bank balance.

$$\text{Remittance to Cash and Bank Balance ratio} = \frac{\text{Remittance}}{\text{Cash and Bank Balance}}$$

A high cash and bank balance refers the greater ability to cover their deposit and to see how much remittance contributes to cash and bank balance and vice versa. But very high ratio is disadvantage, as ideal assets earn nothing. The ratio is as follows: -

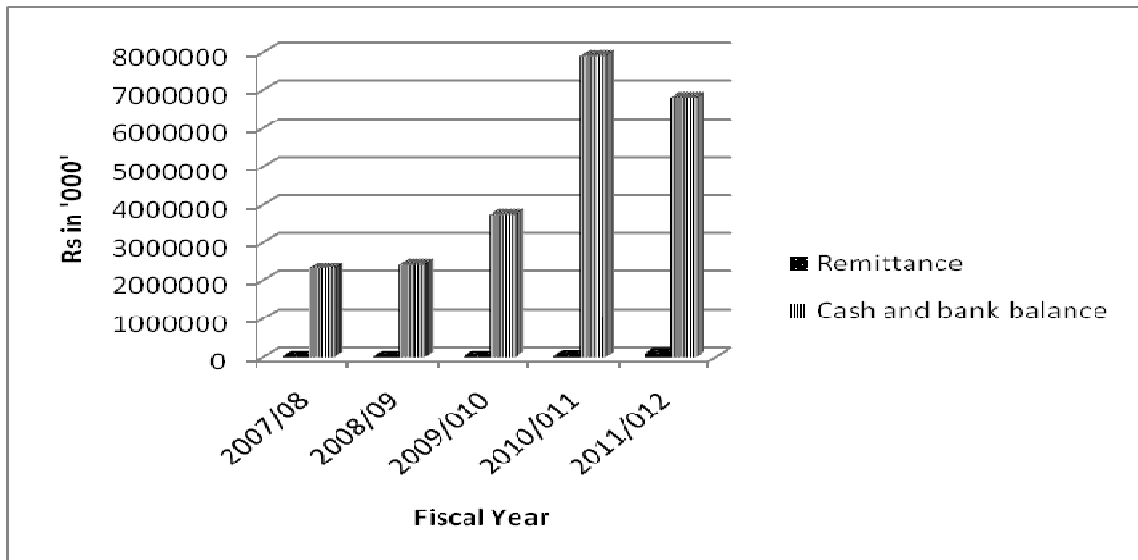
Table: 4.9
Remittance to Cash and Bank Balance Ratio

(Rs. in '000)

| F.Y | NIBL | | |
|----------|------------|-----------------------|----------------|
| | Remittance | Cash and bank balance | Ratio |
| 2007/08 | 17137 | 2336520 | 0.73 |
| 2008/09 | 18625 | 2441514 | 0.76 |
| 2009/010 | 20695 | 3754940 | 0.55 |
| 2010/011 | 41436 | 7918003 | 0.52 |
| 2011/012 | 102312 | 6815888 | 1.50 |
| | | Average | 0.81 |
| | | SD | 0.40 |
| | | C.V. | 49.25 % |

(Source: - Appendix 3)

Figure: 4.8
Remittance to Cash and Bank Balance Ratio



(Source: - Table 4.9)

The above table shows the remittance to Cash and Bank Balance. The highest ratio is in the year 2011/012 which is of 1.50 and lowest is in the year 2010/011 which is 0.52. The average ratio of remittance to Cash and Bank Balance is 0.81. Holding of more cash and bank balance mean keeping the assets idle. So, from the above analysis, NIBL is holding very low amount of remittance which is one of the helps daily in the cash inflow and outflow of the bank and thus maintains liquidity in the bank. It is suggested to NIBL to use funds in many securities.

4.7.4 Remittance to Total Deposit ratio: - Remittance is the cash which the bank receives from people from different parts (inside or outside country). So, it also contributes to total deposit of the bank which the bank can mobilize it on investment, loan and advances. It is the most important short-term financial resources for a bank. The following table shows the Remittance to total deposit ratio of the Investment bank.

$$\text{Remittance to total deposits} = \frac{\text{Remittance}}{\text{Total Deposit}}$$

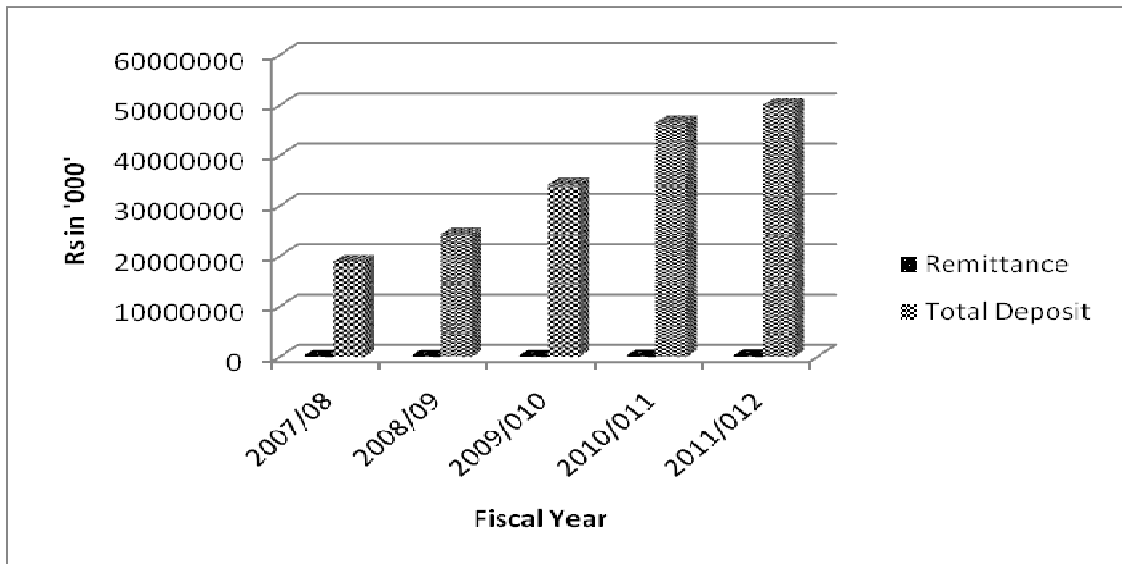
Table: 4.10
Remittance to Total Deposit Ratio

(Rs. in '000')

| F.Y | NIBL | | |
|----------|------------|----------------|---------------|
| | Remittance | Total Deposit | Ratio |
| 2007/08 | 17137 | 18927305 | 9.05 |
| 2008/09 | 18625 | 24488855 | 7.60 |
| 2009/010 | 20695 | 34451726 | 6.01 |
| 2010/011 | 41436 | 46698100 | 8.87 |
| 2011/012 | 102312 | 50094725 | 20.42 |
| | | Average | 10.39 |
| | | SD | 5.74 |
| | | C.V. | 99.95% |

(Source: - Appendix 4)

Figure: 4.9
Remittance to Total Deposit Ratio



(Source: - Table 4.10)

The above table 4.10 shows the remittance to Total Deposit of the NIBL. The highest ratio is in the year 2011/012 which is of 20.42 and lowest is in the year 2009/010 which is 6.01. The average ratio of remittance to Total Deposit is 10.39. This table shows that NIBL's Liquidity position is better as there has been increment in the ratio. The higher proportion of remittance indicates the stronger liquidity position which makes goods cash flow of the bank i.e. NIBL.

4.7.5 Loan and Advance to Remittance ratio: - This ratio is employed to measure the utilization of their remittance on loan and advance. Higher ratio indicates the proper utilization of deposit and lower ratios is the signal of balance remained unutilized.

$$\text{Loan and Advance to Remittance} = \frac{\text{Loan and advance}}{\text{Remittance}}$$

Table: 4.11

Loan and Advance to Remittance Ratio

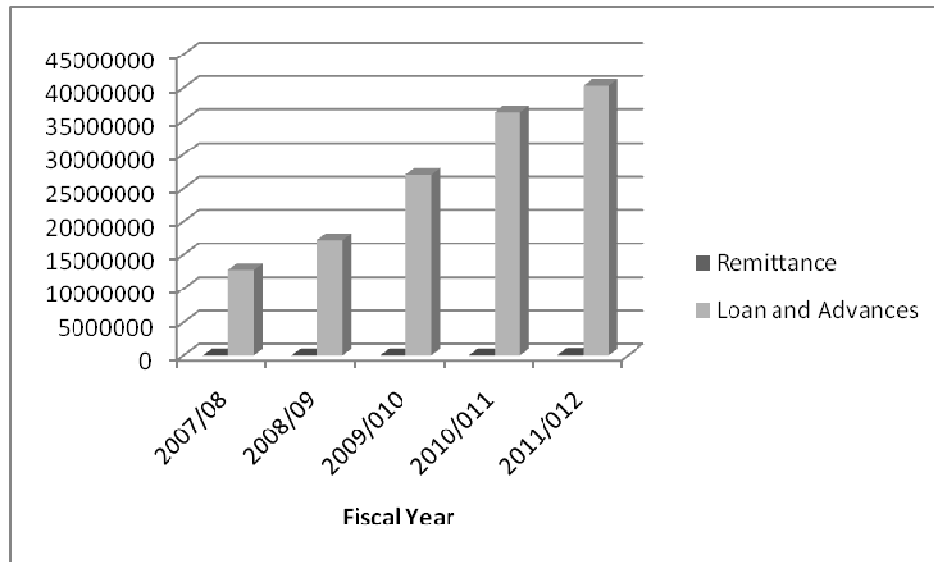
Rs in '000'

| F.Y | NIBL | | |
|----------|------------|-------------------|---------------|
| | Remittance | Loan and Advances | Ratio |
| 2007/08 | 17137 | 12776208 | 0.13 |
| 2008/09 | 18625 | 17286427 | 0.11 |
| 2009/010 | 20695 | 26996652 | 0.08 |
| 2010/011 | 41436 | 36241206 | 0.11 |
| 2011/012 | 102312 | 40318308 | 0.25 |
| | | Average | 0.14 |
| | | SD | 0.07 |
| | | C.V. | 51.01% |

(Source: - Appendix 5)

Figure: 4.10

Loan and Advance to Remittance Ratio



(Source: - Table 4.11)

The table 4.11 shows the loans and advance to remittance ratio. The lowest ratio of NIBL is 0.08% in the fiscal year 2009/010 and the highest ratio is 0.25% in the year 2011/012 and the average ratio is 0.14%. More loan and advance indicates more profits. So, bank should mobilize more remittances and deposits into loan and advance. As per NIBL, it has greater investment in loan and advance. According to co-efficient of variation, NIBL has high C.V. i.e. 51.01% which indicates very high variation in the ratio.

4.7.6 Remittance to Investment Ratio: - This ratio measures the capacity utilization. It shows the percentage amount of remittance on investment. It is computed by: -

$$\text{Remittance to Investment} = \frac{\text{Remittance}}{\text{Total Investment}}$$

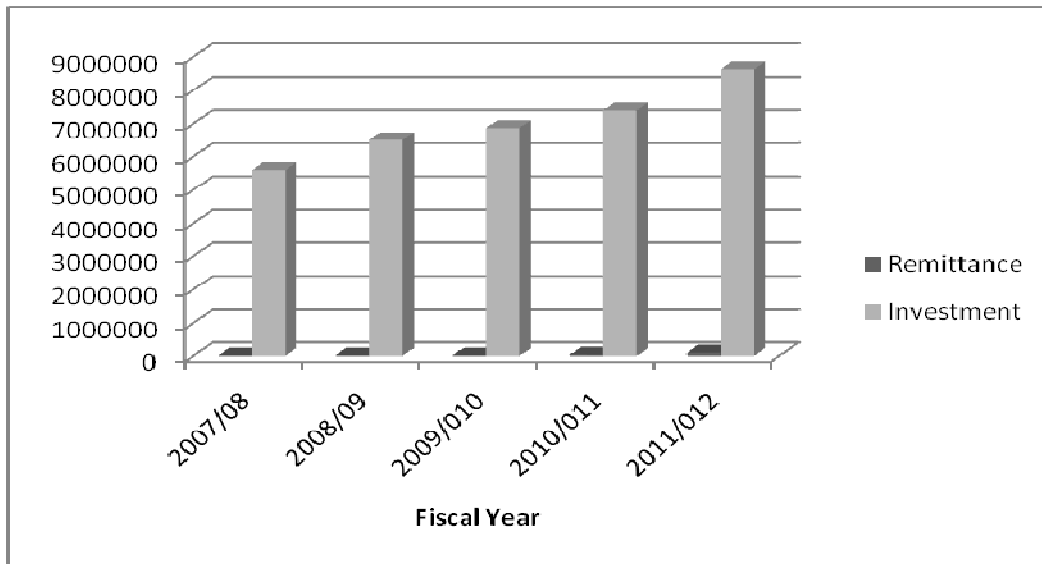
Table: 4.12
Remittance to Investment Ratio

(Rs. in '000)

| F.Y | NIBL | | |
|----------|------------|----------------|---------------|
| | Remittance | Investment | Ratio |
| 2007/08 | 17137 | 5602868 | 0.31 |
| 2008/09 | 18625 | 6505679 | 0.29 |
| 2009/010 | 20695 | 6874023 | 0.30 |
| 2010/011 | 41436 | 7399811 | 0.56 |
| 2011/012 | 102312 | 8635530 | 1.18 |
| | | Average | 0.53 |
| | | SD | 0.38 |
| | | C.V. | 71.99% |

(Source: - Appendix 6)

Figure: 4.11
Remittance to Investment Ratio



(Source: - Table 4.12)

This ratio is employed to which banks mobilized the remittance money on investment properly. This table has shown that, NIBL ratios are in increasing trend when we compare first and last fiscal year. The policy of investment by remittance ratio is better financing policy of a bank. In NIBL the lowest ratio is 0.29% in the fiscal year 2008/09 and the highest ratio is 1.18% in the fiscal year 2011/012 and the average ratio is 0.53%. It indicates that 0.53% of total deposit is utilized as investment of Investment Bank.

4.7.7 Net Profit to Remittance Ratio: - This ratio measures the bank's ability to earn a rate of return on the remittance. It measures the return on remittance. The ratio is calculated by dividing the net profit after tax by remittance. A higher ratio usually indicates efficiency of a bank.

Table: 4.13

Net Profit to Remittance Ratio (in percentage)

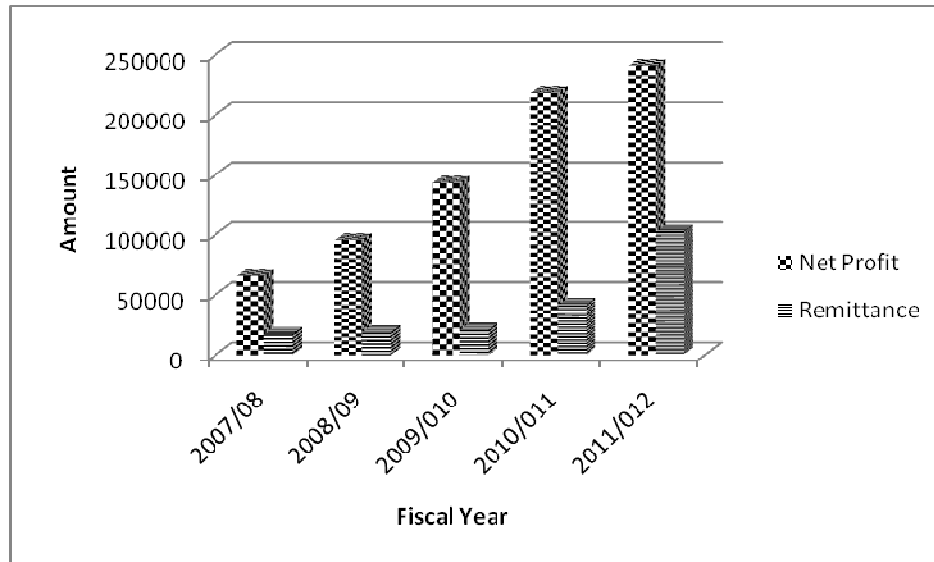
(Rs. in '000)

| F.Y | NIBL | | |
|------------|-------------------|-------------------|----------------|
| | Net Profit | Remittance | Ratio |
| 2007/08 | 65252 | 17137 | 3.81 |
| 2008/09 | 95305 | 18625 | 5.12 |
| 2009/010 | 143172 | 20695 | 6.92 |
| 2010/011 | 217915 | 41436 | 5.26 |
| 2011/012 | 240847 | 102312 | 2.35 |
| | | Average | 4.69 |
| | | SD | 1.71 |
| | | C.V. | 36.48 % |

(Source: - Appendix 7)

Figure: 4.12

Net Profit to Remittance Ratio



(Source: - Table 4.13)

The table shows the ratio of Net Profit to remittance ratio. In NIBL, the ratios are in increasing trend and then decreasing trend. In NIBL, the ratios ranges from 6.92% (2009/010) to 2.35% (2011/012) and the average is of 4.69%. The ratio shows that on average 4.69% of net profit is generated from remittance. Higher the ratio indicates higher the profit in terms of total remittance received by NIBL. The standard deviation of NIBL is 1.71 and C.V. is 36.48% which indicates quiet high risky and high variation.

4.8 Growth Ratio

Growth ratio is directly related to the deposit mobilization of commercial bank. It denotes that how well the banks are preserving their economic or financial position Growth ratio is calculated as follows: -

$$D_n = D_0(1 + g)^{n-1}$$

Where,

D_n = Deposit amount for n periods.

D_0 = Current deposit amount

n = Number of years observed

g = growth rate during the period

4.8.1 Growth Ratio of Total Remittance received by Nepal

Table: 4.14

Growth ratio of Remittance received by Nepal

| Banks | Fiscal Year | | | | | Average Mean (Growth %) |
|-------|-------------|----------|----------|----------|----------|----------------------------|
| | 2007/08 | 2008/09 | 2009/010 | 2010/011 | 2011/012 | |
| | 97688.5 | 100144.8 | 142682.7 | 209698.5 | 231725.3 | 24.10 |

(Source: -Appendix 8)

From the table 4.20 shows that the growth ratio of remittance received by Nepal which is 24.10%. This shows that the performance of collecting remittance is better in comparison to the previous years. The trends of deposits collection of Nepal is in increasing trend.

4.8.2 Growth Ratio of Remittance Received by NIBL

Table: 4.15

Growth ratio of remittance received by NIBL

| Banks | Fiscal Year | | | | | Average Mean (Growth %) |
|-------|-------------|---------|----------|----------|----------|----------------------------|
| | 2007/08 | 2008/09 | 2009/010 | 2010/011 | 2011/012 | |
| NIBL | 17137 | 18625 | 20695 | 41436 | 102312 | 56.31 |

(Source: - Annex 9)

The table 4.21 shows that the growth ratio of remittance received by NIBL is 56.31%. The remittance received by NIBL growth ratio is increasing every year. It shows that the performance of NIBL in receiving and collecting remittance is better in comparison to previous years. The trend of receiving remittance of NIBL is in increasing trend.

4.8.3 Growth Ratio of Commission Received by NIBL

Table: 4.16

Growth Ratio of Commission Received by NIBL

| Banks | Fiscal Year | | | | | Average Mean (Growth %) |
|-------|-------------|---------|----------|----------|----------|----------------------------|
| | 2007/08 | 2008/09 | 2009/010 | 2010/011 | 2011/012 | |
| NIBL | 54.11 | 63.05 | 75.72 | 157.15 | 348.47 | 59.30 |

(Source: - Annex 10)

The table 4.15 shows that the growth ratio of commission received by NIBL which is 59.30%. NIBL have very distinct growth ratio as comparing to previous years which shows that NIBL is increasing in commission received by NIBL on remittances. The trend of investment of NIBL is positive and increasing trend.

4.9 Statistical Tools

For the study on remittance it may be necessary to know the relationship between the remittance received by Nepal and remittance received by NIBL. Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The result of coefficient of correlation is always between +1 and -1. When r , the coefficient of correlation is +1, there is perfect relationship between two variables and vice-versa. When r is 0, there is no relationship between two variables.

4.9.1 Correlation Coefficient between Total Remittance received by Nepal and Remittance received by NIBL

Remittance received by Nepal and Remittance received by NIBL are very important factor for analyzing how much NIBL has gained or contributed on remittance. Remittances are mobilized as investment and the loan and advances. The relationship between remittances between total remittances and remittances received by NIBL must be optimum to gain profit. In this analysis, total remittance is independent variable (X) and remittance received by NIBL is dependent variable (Y).

Table: 4.17

Correlation Coefficient between Total Remittances and Remittance Received by NIBL

| Name | r | r ² | PE | 6 X PE | Sig. / Insig. |
|------|--------|----------------|--------|--------|---------------|
| NIBL | 0.8205 | 0.6732 | 0.0986 | 0.5915 | Sig. |

(Source: -Annex 11)

From, the table 4.17 we can find that the correlation coefficient between total remittance and remittance received by NIBL is 0.8205. This shows the positive relationship between these two variables i.e. total remittance and remittance received by NIBL.

By considering coefficient of determination (r^2), the value of r^2 is 0.6732. The value of r^2 of NIBL is 0.6732, which means 67.32% of remittance received by NIBL is determined by total remittance and 32.68% of remittance received by NIBL depends upon other variables. Above

figure indicate that there is significant relationship between remittance received by NIBL and total remittance.

4.9.2 Correlation Coefficient between Commission received by NIBL and total remittance received by NIBL

Correlation coefficient between commission received by NIBL and remittance received by NIBL measures the degree of relationship between these two variables. Total deposit is independent variable (Y). The objective behind the calculation of this correlation is to find out whether deposit is significantly mobilized as the investment.

Table: 4.18
Correlation Coefficient between Commission Received by NIBL and Total Remittance Received by NIBL

| Name | r | r² | PE | 6 X PE | Sig. / Insig. |
|-------------|----------|----------------------|-----------|---------------|----------------------|
| NIBL | 0.9855 | 0.9712 | 0.1455 | 0.8730 | Sig. |

(Source: -Annex 12)

From the table shows that correlation coefficient between commission received by NIBL and total remittance received by NIBL is 0.9855. It shows the positive correlation coefficient between these two variables. The value of coefficient of determination (r^2) is 0.9712 of NIBL which means 97.12% of investment decision depend upon total remittance received by NIBL and 2.88% remittance decision depend upon other variables. Similarly, probable error is 0.1455 and 6 X PE is 0.8730 which shows that the relationship between commission received by NIBL and total remittance received by NIBL is significant.

Role of Remittance in Economic Development Growth

Remittances may help developing countries cope with economic crises, improve their credit ratings, and help raise external financing.

On the broader macroeconomic plane, remittances may help recipient countries cope with economic crises because migrants tend to send more money back to family and friends during

hard times. Remittances can also improve receipt country's creditworthiness. This is because such inflows would effectively reduce the country's indebtedness relative to its exports (its income), thereby improving the country's credit ratings and lowering its borrowing costs on the international capital markets. And remittances also help developing countries raise external financing through what is known as "securitization." In this type of transaction. The banks of developing-country receive remittances can issue bonds to foreign investors backed by the future flow of those remittances. Various developing countries have raised billions of dollars through this technique. And also it contribute to the expansion of communication services, courier companies as well as money exchange services, which contribute to the expansion of economic activities and increase the employment opportunities. (Source: - NIBL; Remittance Department).

To assist poverty reduction program of the Government. Nepal Rastra Bank has played pivotal role in building up the institutional network and mechanism for easy and smooth availability of the micro-finance for the income generating activities of the poor and the deprived people. This has resulted in the emergence of much REMITTANCE, which has been participating in the micro-financing operation using it as one of the effective financial tools for poverty reduction. However, these REMITTANCES have not been able to provide services to all the targeted people. There is a wide scope and tremendous opportunity for these institutions to involve in micro financing right through various rural financing programmers. The challenge of the day is first reaching out to the majority of the poor people with micro and rural finance and secondly making the REMITTANCES viable, sustainable, and profitable. Endorsement of National Micro-Finance Policy and establishment of a second Tier Institution (STI) as proposed by the Government of Nepal will facilitate the categorization of various REMITTANCES even to formalize informal financing to provide easy access to the microfinance. Besides, the cost effective and self-sustained REMITTANCES are also the pre-conditions for the successful implementation of such programmers. For this, sound monitoring and supervision of REMITTANCE is a most necessary. This will certainly pave the way for meeting the national objective to expand of REMITTANCE so far for the targeted people. . (Nepal Rastra Bank, 1988: 56)

In a world where almost half the population lives on less than \$2.50 a day, microfinance is one of the better tool for poverty alleviation, economic growth and development in emerging economies. Loans offer the same benefits to major world economies that face growth problems.

This fact is recognized in theory as well as in practice. “*Currently, microfinance services (loans, savings, etc.) are available to over 100 million of the world’s poorest families (Microcredit Summit Report, 2010).*” That may partially explain the decline in poverty rates over the last three decades. In fact, 5% of the clients of Grameen Banks pull themselves out of poverty each year . (*Microcredit Summit Report, 2010*).

According to Life Standard observation 2066/2067 poverty of Nepal is decreasing at rate of 2 % and now 25.16 % people are below the range of poverty. The report shows that every family gets 9 thousands and 2 hundred if the total remittance collected is equally divided.

Base of poverty measurement requires 22 hundred kg calorie energy person per day. The decrement in the poverty rate is mainly due to remittance.

4.11 Major Findings of the Study

- NIBL collects remittance from various countries. We can see that the highest remittance received is in the year 2011/012 which is Rs. 10231.20 thousands and lowest remittance received is in the year 2007/08 which is Rs. 1713.70 thousands.
- This shows that every year remittance receiving by NIBL is increasing, which shows good impact as higher volume of money is entering inside Nepal. As remittance contributes to economy and Balance of Payment, thus government should encourage foreign employment. The total remittance received in Nepal is increasing every year. The highest remittance received is in the year 2011/012 which is Rs. 231725.3 thousands and lowest remittance received is in the year 2007/08 which is Rs. 97688.5 thousands.
- This shows that every year remittance receiving is increasing, which shows good impact as higher volume of money is entering inside Nepal. As remittance contributes to GNP (Gross National Product), government should encourage foreign employment.

- While comparing total remittance received from Nepal and remittance received by NIBL there is a very high difference from the total remittance received. There are many Remittance business doing for example Western Union Money Transfer, Prabhu Money Transfer, and also many Commercial banks doing remittance business in Nepal.
- The comparison between the total remittance received by NIBL and the number of transactions done throughout the year, we can see that the remittance including total number of transactions are increasing every year.
- The highest number of transaction is in the year 2011/012 where there is 150,800 transaction and lowest is in the fiscal year 2007/08 where there is 42,006 transactions. Since, the number of transaction is increasing every year we can conclude that there are many people going abroad for working and sending money to Nepal as a medium of remittance. Thus, growing remittance will be very beneficial for the economy of the country for the developing country like Nepal.
- Eastern and western development regions have had opportunities for foreign employment other than India because of the history of British Gorkha whereas mid-western and far western region are more attracted to the neighboring country, India for foreign employment.
- There are estimated 6-10 lakhs of Nepalese are working as a Temporary worker in India (NIDS, 2010). According to 'Study Report on Remittance from India' published by NRB, the migrant workers' remittances alone contribute to 24.5% to the country's GDP in 2011/012 while the contribution of remittance from India stood at 2.8% majority of remittance from India are through Informal Channel.
- While comparing the remittances received from India and the total remittance received by NIBL, the highest remittance received is in the fiscal year 2011/012 where it is Rs. 40382 million and lowest is Rs.6080 millions in fiscal year 2007/08. The highest percentage of remittance received is in year 2009/010 where there is 52.78% and lowest percentage of remittance received is in year 2007/08 where there is 35.48%. India is near to Nepal and the remittance business is started from India. India is the main country which provides greater remittance to Nepal since there is no restriction in the boarder and no need of passports.

- Nepal receives total remittance received from Quarter, Dubai, Saudi and other part of the world. The amount is calculated in percentage due to insufficient data received from the remittance department of NIBL. For comparison between the countries, we have taken an average ratio. The highest average ratio is Dubai where there is 31% and the lowest ratio is other part of the world where there is 16%. In 2011/012, Saudi has the highest remittance sender from where there is 70% in comparison and lowest is Dubai and other countries where there values are 5% each. These countries are the third countries from where remittance money is getting highly after India.
- In term of remittance received by NIBL to total remittance received by Nepal, and the ratios are in increasing trend. The average is of 22.91%, it shows that on average 22.91% of total remittance is received by NIBL bank.
- In terms of commission on remittance to remittance by NIBL, the ratios are in increasing trend except in the fiscal year 2011/012. In NIBL, the ratios ranges from 0.32% (2007/08) to 0.38% (2010/011) and the average is of 0.35%. The ratio shows that on average 0.35% of commission is generated from total remittance received by NIBL. Higher the ratio indicates higher the commission in terms of total remittance received by NIBL. The standard deviation of NIBL is 0.02 and C.V. is 5.85% which indicates less risky and less variation.
- In term of cash and bank balance to the remittance received by NIBL, the highest ratio is in the year 2011/012 which is of 1.50 and lowest is in the year 2010/011 which is 0.52. The average ratio of remittance to Cash and Bank Balance is 0.81. Holding of more cash and bank balance mean keeping the assets idle. So, from the above analysis, NIBL is holding very low amount of remittance which is one of the helps daily in the cash inflow and outflow of the bank and thus maintains liquidity in the bank.
- In terms of remittance to Total Deposit of the NIBL, the highest ratio is in the year 2011/012 which is of 20.42 and lowest is in the year 2009/010 which is 6.01. The average ratio of remittance to Total Deposit is 10.39. NIBL's Liquidity position is better as there has been increment in the ratio. The higher proportion of remittance indicates the stronger liquidity position which makes goods cash flow of the bank i.e. NIBL.

- In terms of loans and advances to remittance ratio, the lowest ratio of NIBL is 0.08% in the fiscal year 2009/010 and the highest ratio is 0.25% in the year 2011/012 and the average ratio is 0.14%. More loan and advances indicates more profits. So, bank should mobilize more remittances and deposits into loan and advances.
- In term of remittance by investment ratio, NIBL ratios are in increasing trend when we compare first and last fiscal year. The policy of investment by remittance ratio is better financing policy of a bank. In NIBL the lowest ratio is 0.29% in the fiscal year 2008/09 and the highest ratio is 1.18% in the fiscal year 2011/012 and the average ratio is 0.53%. It indicates that 0.53% of total deposit is utilized as investment of Investment Bank.
- In terms of Net profit to remittance, in NIBL, the ratios are in increasing trend and then decreasing trend. In NIBL, the ratios ranges from 6.92% (2009/010) to 2.35% (2011/012) and the average is of 4.69%. The ratio shows that on average 4.69% of net profit is generated from remittance. Higher the ratio indicates higher the profit in terms of total remittance received by NIBL. The standard deviation of NIBL is 1.71 and C.V. is 36.48% which indicates quiet high risky and high variation.
- Remittances may help developing countries cope with economic crises, improve their credit ratings, and help raise external financing. Various developing countries have raised billions of dollars through this technique. And also it contribute to the expansion of communication services, courier companies as well as money exchange services, which contribute to the expansion of economic activities and increase the employment opportunities.
- To assist poverty reduction program of the Government. Nepal Rastra Bank has played pivotal role in building up the institutional network and mechanism for easy and smooth availability of the micro-finance for the income generating activities of the poor and the deprived people. This has resulted in the emergence of much REMITTANCE, which has been participating in the micro-financing operation using it as one of the effective financial tools for poverty reduction.
- Growth ratio of remittance received in Nepal is 24.10%. Remittance receiving in Nepal is better in comparison average ratio. The trend of remittance receiving in Nepal is in increasing trend.

- Growth ratio of remittance received by NIBL is 56.31%. It shows that the performance of NIBL is better and the remittance receiving by NIBL is increasing at 56.31% every year.
- Growth ratio of commission received by NIBL is 59.30%. The total commission receiving by NIBL on remittance is also increasing every year which means that NIBL is earning good commission every coming year.
- Correlation coefficient between remittance received in Nepal and Remittance received by NIBL is highly positive correlated which indicate that increase in remittance by NIBL as increase in remittance received in Nepal. This study also suggests that independent variable that is remittance received by NIBL is highly dependent to the remittance received in Nepal. The value of correlation is greater than the six times to PE of NIBL. Therefore there are significant relationship between remittance received in Nepal and remittance received by NIBL.
- Correlation Coefficient between commission received by NIBL and total remittance received by NIBL is found positive, so it is directly related to the remittance received by NIBL. NIBL coefficient of determination is higher than the value of six times of PE. It indicates that there is significant relationship between commissions received by NIBL to total remittance received by NIBL.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter is a summary of the study and it released some suggestive package. It contains summary, conclusion and recommendations. Summary is a brief introduction of whole study. Conclusions are made on the basis of the analysis of relevant data by using various tools. Recommendations are provided after analyzing the relevant data and looking forward what we and other person can do for the betterment of the remittance.

5.1 Summary

The development of the country largely depends on the level of economic development. The economy of the nation depends on the growth of the different sectors like financial institutions, industry etc. Now a day, banks are highly focused on entering the foreign currency in Nepal through the business called remittance. Many people go abroad to get the job in which they will be paid satisfactory which lead to the growth of their future as well as could easily support to their families. Hence, they will spend some portion of their earned money to their family through service called remittance. In this manner, banks could bring different currencies of the different country to Nepal.

Remittances have been exist as an important sources of foreign exchange to generate beneficial impact on the economy through various channels, such as saving, investment, consumption and income distribution. Moreover, remittances have relaxed the foreign exchange constraints of the country and strengthened its balance of payment position. With the aim of studying these importance and impacts of the remittance in the economy of developing countries in mind, the main objectives of this study were determined. Moreover, the study tried to identify the scenario of foreign employment in Nepal and inflow of remittances in national as well as global prospects, and then evaluated the government act and policies and role to maximize benefit from remittances. Furthermore, the study also analyzes the relationship of remittance with different economic factors.

5.2 Conclusion

Remittances are becoming important to the receiving countries at the micro and macro level. They increase both the income of the recipient and the foreign exchange reserve of the recipients' countries. Moreover, remittances can generate positive multiplier effect in output if they are consumed and contributed to economic growth by productively manner. With the increase in the number of workers, the inflow of remittances has also taken an upswing. Moreover, due to policy initiatives undertaken by the concerned authorities for enhancing the inflow of remittances through the official mechanism, the share of remittances incoming through the official channel has been going up. But still governing bodies need to take a solid step to encourage transferring money through formal channel. With regard to the use of remittances in Nepal, different study has been conducted and these studies disclosed that the utilization of it mostly done on non productive sector. Nepal is receiving higher remittance and the remittances are increasing every year. The highest remittance received is in the year 2011/012 which is Rs. 231725.3 thousands and lowest remittance received is in the year 2007/08 which is Rs. 97688.5 thousands. This shows that every year remittance receiving is increasing, which shows good impact as higher volume of money is entering inside Nepal. As remittance contributes to GNP (Gross National Product), government should encourage foreign employment.

- Nepal Investment Bank is collecting remittance from various countries. We can see that the highest remittance received is in the year 2011/012 which is Rs. 10231.20 thousands and lowest remittance received is in the year 2007/08 which is Rs. 17.13.70 thousands. This shows that every year remittance receiving by NIBL is increasing, which shows good impact as higher volume of money is entering inside Nepal. As remittance contributes to economy and Balance of Payment, thus government should encourage foreign employment.
- While comparing total remittance received from Nepal and remittance received by NIBL there is a very high difference from the total remittance received. There are many Remittance business doing for example Western Union Money Transfer, Prabhu Money Transfer, and also many Commercial banks doing remittance business in Nepal.
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number of transactions are increasing every year. The highest number of transaction is in the year 2011/012 where there is 150,800 transaction and lowest is in the fiscal year 2007/08 where there is 42,006 transactions. Since, the number of transaction is increasing every year we can conclude that there are many people going abroad for working and sending money to Nepal as a medium of remittance. Thus, growing remittance will be very beneficial for the economy of the country for the developing country like Nepal.

- Eastern and western development regions have had opportunities for foreign employment other than India because of the history of British Gorkha whereas mid-western and far western region are more attracted to the neighboring country, India for foreign employment. There are estimated 6-10 lakhs of Nepalese are working as a Temporary worker in India (NIDS, 2010). According to ‘Study Report on Remittance from India’ published by NRB, the migrant workers remittances alone contribute to 24.5% to the country’s GDP in 2011/012 while the contribution of remittance from India stood at 2.8% majority of remittance from India are through Informal Channel.
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- Nepal receives total remittance received from Quarter, Dubai, Saudi and other part of the world. The amount is calculated in percentage due to insufficient data received from the remittance department of NIBL. For comparison between the countries, we have taken an average ratio. The highest average ratio is Dubai where there is 31% and the lowest ratio is other part of the world where there is 16%. In 2011/012, Saudi has the highest remittance sender from where there is 70% in comparison and lowest is Dubai and other countries where there values are 5% each. These countries are the third countries from where remittance money is getting highly after India.

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- In terms of remittance to Total Deposit of the NIBL, the highest ratio is in the year 2011/012 which is of 20.42 and lowest is in the year 2009/010 which is 6.01. The average ratio of remittance to Total Deposit is 10.39. NIBL's Liquidity position is better as there has been increment in the ratio. The higher proportion of remittance indicates the stronger liquidity position which makes goods cash flow of the bank i.e. NIBL.
- In terms of loans and advances to remittance ratio, the lowest ratio of NIBL is 0.08% in the fiscal year 2009/010 and the highest ratio is 0.25% in the year 2011/012 and the average ratio is 0.14%. More loan and advances indicates more profits. So, bank should mobilize more remittances and deposits into loan and advances.
- In term of remittance by investment ratio, NIBL ratios are in increasing trend when we compare first and last fiscal year. The policy of investment by remittance ratio is better financing policy of a bank. In NIBL the lowest ratio is 0.29% in the fiscal year 2008/09 and the highest ratio is 1.18% in the fiscal year 2011/012 and the average ratio

is 0.53%. It indicates that 0.53% of total deposit is utilized as investment of Investment Bank.

- In terms of Net profit to remittance, in NIBL, the ratios are in increasing trend and then decreasing trend. In NIBL, the ratios ranges from 6.92% (2009/010) to 2.35% (2011/012) and the average is of 4.69%. The ratio shows that on average 4.69% of net profit is generated from remittance. Higher the ratio indicates higher the profit in terms of total remittance received by NIBL. The standard deviation of NIBL is 1.71 and C.V. is 36.48% which indicates quiet high risky and high variation.
- Correlation coefficient between remittance received in Nepal and Remittance received by NIBL is highly positive correlated which indicate that increase in remittance by NIBL as increase in remittance received in Nepal. This study also suggests that independent variable that is remittance received by NIBL is highly dependent to the remittance received by Nepal. The value of correlation is greater than the six times to PE of NIBL. Therefore there are significant relationship between remittance received in Nepal and remittance received by NIBL.
- Correlation Coefficient between commission received by NIBL and total remittance received by NIBL is found positive, so it is directly related to the remittance received by NIBL. NIBL coefficient of determination is higher than the value of six times of PE. It indicates that there is significant relationship between commissions received by NIBL to total remittance received by NIBL.

5.3 Recommendation

Undergoing through above study it is concluded that the remittance is the backbone of the economy of the developing countries. It has played the vital part in development of the economy of the nation. It is the important aspect for the developing countries. Government should take a proactive action for the remittance. Government should force on different aspect like educating general public about its importance to the country, the advantages and disadvantages of formal and informal channel for transferring funds. Based on the study the following recommendations are adopted for the effective management of foreign employment occupation and regarding remittance and true utilization of remittance earning as well it is recommended that Nepal Rastra Bank in co-operation with the government and non-governmental institutions should come up

with some concrete measures.

Based on the summary and conclusion, the following suggestions and recommendations are forwarded: -

- Nepal is receiving remittances from all over the world, since Nepal is a developing country remittance is very important aspect. Since, the remittances receiving by Nepal is increasing, it should encourage and provide more facilities to the people for receiving more remittances.
- Nepal Investment is collecting remittance from different parts of the world but its main focus is only in India and East Asia such as Qatar, Dubai, Saudi Arabia. So, NIBL should also focus on other part of the world.
- NIBL is collecting good remittances and the remittances are also increasing every year, but while comparing to total remittance it is very low. So, NIBL should focus more on remittances.
- The comparison between the total remittance received by NIBL and the number of transactions done throughout the year, we can see that the remittance including total number of transactions are increasing every year. But while comparing to total number of remittance received by Nepal it is very low. So, NIBL should increase number of remittances.
- NIBL has greater proportion of remittance receiving from India other than other country, so NIBL should focus on other country also.
- As, remittance plays an important role for maintain good liquidity, so NIBL should increase to get more cash and bank balance.
- Remittance also increase cash deposit of bank, so higher remittance increase higher deposit. So, NIBL should focus on remittance for getting higher deposits.
- Remittance money can also be invested in loan and advances and investment. So, if NIBL does large number of remittance transaction, then it can have higher cash flow which can be invested in loan and advances and investment.
- Remittances also increase net profit of bank. But, NIBL profit while comparing with remittance income only few amount is seen. So, NIBL is recommended to increase and flourish remittance business.

- Overall, remittance is the engine of economic growth. More the remittance comes to the developing country like Nepal; it can have higher economic growth. So, government is also recommended to make feasible environment for receiving greater remittances.