

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

Developing countries main problem is lack of opportunities –employment, education etc. People seek opportunities abroad and migrate to the place with better opportunities. These are consequences of globalization, it has opened door to the world. Globalization is the result of advances in communication, transportation and information technologies. It describes the growing economic, political, technological ad cultural linkages that connect individuals, communities, businesses and governments around the world.

Immigrants seeking economic opportunities often send money-referred as remittances- home to their families. This study reviews the meaning and general areas of remittance and its effect on economy of developing countries. The term ‘remittance’ is used in different ways. Under the definition currently in use by the International Monetary Fund (IMF)-which provides the most widely used standard for the presentation of international statistics-remittance are international transfers of funds sent by migrant workers from the country where they are working to people (typically family members)in the country from which they came (International MonetaryFund,1993:75).According to the IMF, a migrant is a person who comes to a country and stays, or intends to stay ,for a year or more. Migration takes place due to different reasons. Different factors like poverty, lack of opportunity, etc play as a push factor for migration. Migration, whether permanent or temporary is a global phenomenon with individuals from developing countries relocating to higher income areas in the hope for a better future. Migrant workers remit funds to their home countries to support family members left behind. The amount of remittances represents a significant flow of income to poor families. If channeled in a more efficient and reliable manner, it can considerably

contribute to alleviation of poverty and a country's development. Many developing countries consider migration as part of a strategy for growth and development.

On context of Nepal also, migration as natural phenomenon of globalization era, started on early 19<sup>th</sup> century and skyrocketed in recent years. Many people are attracted to foreign for different opportunity-employment, education, etc. Migration continues partly because of growing insecurity in Nepal's. In addition, Nepalese must confront a lack of economic opportunities at home and increasing opportunities abroad. However, the migration not only helping the developing countries to fight with unemployment problem but also contributing a lot by earning foreign currency and many more. Remittance is one of the contributing aspects of the migration. Remittance as general word means sending money to someone at a distance. This is most often done through an electronic network, wire transfer or mail. These remittance represent the most direct and immediate benefit to emigrant families and to the sluggish economy. It has become a significant source of funds for some of developing countries, including Nepal, that receive them from dozen of the countries, they exceed official foreign aid or foreign investments source of external funds. Therefore, the government should pay more attention in developing appropriate strategies to remittances flows as an important financial source to boost economic development.(Pandey Economic development Plan 2008:230).

Financial institutions play an important role in accelerating development of the country. It occupies a vital role in the national, economical and development framework. Due to collection of capital through savings from citizens, makes investments in different enterprises, mobilizes the funds. In other words banking industries are helping hands in reducing poverty, raising employment opportunities and thereby developing the society and country as a whole.

There are many 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. Like IME, Prabhu, Money Gram, Tity Express Western Union Money Transfer etc. 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.(Shrestha Banking and insurance 2005:140).

## **1.2 Introduction of Kumari Bank Limited**

Kumari Bank Limited, came into existence as the fifteenth commercial bank of Nepal by starting its banking operations from Chaitra 21, 2057 B.S (April 03, 2001) with an objective of providing competitive and modern banking services in the Nepalese financial market. The bank has paid up capital of Rs. 1,485,000,000 of which 70% is contributed from promoters and remaining from public.

Kumari Bank Ltd has been providing wide - range of modern banking services through 28 points of representations located in various urban and semi urban part of the country, 19 outside and 9 inside the valley. The bank is pioneer in providing some of the latest / lucrative banking services like E-Banking and SMS Banking services in Nepal. The bank always focus on building sound technology driven internal system to cater the changing needs of the customers that enhance high comfort and value. The adoption of modern Globus Software, developed by Temenos NV, Switzerland and arrangement of centralized data base system enables customer to make highly secured transactions in any branch regardless of having account with particular branch. Similarly the bank has been providing 365 days banking facilities, extended banking hours till 7 PM in the evening, Utility Bill Payment Services, Inward and Outward Remittance services, Online remit Services and various other banking services. Visa Electron Debit Card, which is accessible in entire VISA linked ATMs (including 30 own ATMs) and POS (Point of Sale) terminals both in Nepal and India, has also added convenience to the customers. The bank has been able to get recognition as an innovative and fast growing institution striving to enhance customer value and satisfaction by backing transparent business practice, professional management, corporate governance and total quality management as the organizational mission. The key focus of the bank is always center on serving unfulfilled needs of all classes of customers located in various parts of the country by offering modern and competitive banking products

and services in their door step. The bank always prioritizes the priorities of the valued customers.

### **1.3 Statement of problem**

Remittance is emerging concept. The practice of remittance is recently burgeoning. It is emerging and be could important effect on the economies of developing countries. Money used to be transferred through informal channels and ways so its effect could not be ascertain in past years. However now through the formal process, records are kept and its effect assessed without doubt and precisely.

Under the prevalence of this situation this study will try to deal with following problem

- ) What are the prevailing practices and provision of Kumari bank Limited regarding remittance?
- ) What is the impact of inward remittance on the Nepalese economy, what is their contribution to the GDP?

### **1.4 Objectives of the Study**

Main objective of this research is to evaluate and study the restructure business of Kumari Bank Limited. The specific objectives of this research are as follows.

- ) To study the growth of the remittance business of the bank over the period.
- ) To evaluate the contribution of remittance to develop Nepalese economy.
- ) To understand the status and scenario of remittance in KBL.
- ) To give proper and feasible recommendations, strategic options of KBL on the basis of the in depth study undertaken to increase remittance business

### **1.5 Significance of study**

Significance of its own kind in this field .In this globalized age, communication, transportation and information technology has connected individuals,

communities, businesses and governments around the world. Earning from a part of world is helping the other part of world, as remittance has become an importance source of income for many countries. Nepal Rastra Bank stated that remittance keeping economy alive.

The study will provide important guidelines about transfer of money. It will also help to assess the effect of remittance in the economy. There is no doubt that the study will also have multi dimensional importance for various areas, i.e., different commercial banks and financial institutions, money transfer centers, government bodies Similarly, the finding of this study will be equally important to the others who are interested to know about this area. Last but not least, it will provide relevant and pertinent literature for future research on the area of remittance effect.

## **1.6 Limitation of study**

This study is only for partial fulfillment of MBA degree and prepared within time constraint, which weakened adequacy of the study. Whereas, researcher tried to keep the report more feasible, accurate and faithful, even though there are some limitations. These limitations can be point out in the following points: -

1. This study is concentrate only on those factors that are related business of Kumari bank.
2. This study has covered only recent five fiscal years starting from 2005/06 to 2009/10.
3. Relating to the literature review only master level thesis has been reviewed.
4. The accuracy of the finding depends on the reliability of available information; since study is mainly based on the published secondary data and gathered from related source

## **1.7 Organization of the study**

This study has been divided into five chapters and is organized as follows: -

### **Chapter I: Introduction**

This chapter described the introduction part, which contains general background, statement of the problem, objective of the study, significance of the study, limitation of the study and finally organization of the study.

### **Chapter II: Review of Literature**

This chapter mainly deals with the literature review in which articles; journals and abstract of the previous researches 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 and conclusion**

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 the 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 LITERATURE**

Review of literature is the process of locating, obtaining, reading, evaluating, learning and understanding the concept of the related topic. After selecting the topic of the research, researcher should study different materials like Books, Journals, Magazines, and Articles etc. to collect the information about the subject matter of the study. It means to collect the necessary information about the research topic through the different sources. 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.

This chapter devotes to review some of the existing literature regarding the remittance business. In this regard, various books, journals and articles concerned to this topic have been reviewed. The first part of the chapter deals with the conceptual framework of the study and the second part is concern with the review of previous articles, journals and dissertation. Most of the previous researches are conducted on profit planning and they are comparative studies in between two or more than two banks; only few researches conducted on profitability position were also comparative studies. The findings were mostly in secondary data, primary data for analysis has not been used. Previous researches were unable to recommend about the particular tools and technique used. Thus, to full-fill the gap, the current research is organized.

#### **2.1 Conceptual Framework**

As the topic of remittances has become a popular one in the international financial community in recent years as both the rate and volume of remittances have increased exponentially, various researchers are interested on internationally analyzing the issue of remittance and its effect on the economy. But surprisingly, in Nepalese context there is still no official acknowledgement of the substantial role

of remittance and not much study are conducted concerning remittance and its effect. Only in recent years has the Nepali government and different researcher has been taking note of the importance of foreign employment and remittance for the Nepali economy. Despite of those lacking, this study tries to identify the meaning and mechanism, international regulation related to remittance on one hand whereas on the other hand it tries to explore the impact that the inward remittance sent by these labours have on the overall economy of the country.

With the increase in the number of workers, the inflow of remittances has also taken an upswing. Moreover, because of the policy steps taken for enhancing the inflow of remittances to the country through the official mechanism the share of remittances coming through the official channel has gone up. The mounting remittances have led to a surplus in the current account, there be strengthening the overall balance of payments position. Despite of such a large volume of inward remittances soaring inside the country as a result of booming international labour migration from Nepal, there still remains some questions unanswered.

### **2.1.1 The Remittances Transfer**

The market for Remittances consists of remittance transfer and remittance services 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. There are many 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 RSPs, such as global banks, may have branch networks they can use for this purpose ("unilateral service"). 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 RSPs providers Service 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. (Gautam Capital market 1990:300)

**Capturing:** The sender can pay the capturing agent using any means of payment that is acceptable to both. Most common is cash or other methods such as a transfer from a bank account (debit card or cheque), pre -paid funds (e- money, other pre-paid cards, money orders, bankers' drafts) or credit (e.g. provided by the RSP or by using a credit card) may sometimes be used. This transaction is simply a standard domestic payment. The sender needs to provide the capturing agent with sufficient information to identify the receiver or the details of account in which the funds are to be credited. For extra security some form of transaction code are to be provided to sender which only the genuine receiver will know. (Bhattari Financial Management 1991:250).

**Disbursement:** The disbursing agent will pay the receiver in cash or other means as on capturing. The disbursing agent needs to know whom to pay and how much to pay. And the other information like the currency in which the payment is to be made or the mode of payment. Identifying the receiver typically involves a combination of a sufficient level of authorization from the capturing agent (e.g. some form of secure message identifying receiver) and evidence from the receiver about their identity (e.g. suitable ID and perhaps a transaction code)

**Messaging:** In case of open service, where there is no direct relationship with capturing RSP - its agent and disbursing RSP - its agent, the information from the capturing agent to disbursing agent will sometimes travel together with the funds – i.e. passed through the various intermediaries in the settlement process. This process is time consuming and involves many problems. Where as in other remittance services, the information will be transferred independently of the funds (directly from capturing agents to the disbursing agent, with a copy to the RSP) by any one of a wide variety of means (internet, e-mail, fax, phone, etc.). Even if most information is transferred directly, enough information should also travel with the funds so that for each step in settlement chain, the payee knows where the funds are next destined and so that, as necessary, the funds can be matched to the specific remittance transfer.

**Settlement:** A remittance transfer is likely to involve a ‘settlement chain’ –a series of separate payments, each of which may be made differently. Payments to and from end users have already been described. For each of the payments in between (from capturing agent through to disbursing agent) settlement will normally take place by means of credit transfer from the payer to the payee’s bank with one of the payment being cross-border. Some RSPs may have bank accounts in both sending and receiving countries, in which case the cross border element can be partially “internalized”. But, because of the largely one way nature of remittance

flows, the RSP may sometimes have to transfer funds from the sending country to top up its account in the receiving country. (Poudel Economic policy 1993:120)

**Liquidity:** Although remittance transfer is likely to involve a ‘settlement chain’ but the transaction within it don’t have to take place in sequence. The disbursing agent may pay the receiver before it has received funds from the disbursing RSP or disbursing RSP may pay the disbursing agent before it has received funds from the capturing RSP. It is because the RSP will not know which agent to pay because it is totally up to the receiver choice of where to collect the funds. Thus, some credit risk is created. There is also need for liquidity, i.e. sufficient funds or credit available to pay before being paid. Providing liquidity has a cost – the cost of borrowing funds, or the opportunity cost. The increased speed achieved by providing liquidity is therefore likely to increase the overall price of the service. (J. Fred Weston & Brigham. 1996: 390 *Essential of Managerial Finance*).

### **2.1.2 Importance or Significance**

The topic of remittances has become a popular one in the international financial community in recent years as both the rate and volume of remittances have increased exponentially. Remittances are a reliable source of foreign capital and least volatile sources of foreign exchange. Remittances have developed into an important source of income for many developing countries and, thus, have significant effects on their economic stability and growth. Remittances can be analyzed for various reasons - for example, because of their impact on development, because of the close relationship with often politically sensitive migration issues or because of the need to monitor the flows for balance-of-payments purposes. All these aspects of remittances are interrelated and so cannot be ignored.

The role of immigrant remittances in economic development continues to be an important issue for researchers and policymakers. Both groups (sending countries

and receiving countries) are attracted to immigrant remittances because they represent a substantial flow of financial resources, predominantly from developed economies to developing economies.

For several years, realization has grown among policymakers and the international financial services sector of the significance of remittance flows for developing countries and business. These flows often outstrip foreign investment or aid, and in some countries surpass both combined. Remittances have emerged as a new mantra for development. It generates positive multiplier effects in output if they are consumed, and contribute to output growth in the country if they are invested. It has significance on both the micro and macro level of economy.

### **1 .On balance, remittances benefit developing countries.**

Most observers have concluded that on balance remittances are beneficial to developing countries. An obvious benefit is that a portion of most funds sent to home countries goes toward the welfare and improved livelihood of the families receiving them. The recipients commonly spend the funds on necessities such as health, education, food, and clothing. Remittance also is used in social cultural life (birth, wedding, death) and loan repayment of the migrants (often loan to pay for cost of migration) and the family. The biggest contribution of remittances is to the welfare and improved livelihood of the receiving household-be it in terms of basic necessities such as good fooding, clothing, better health and education. However the money spent on better education of children and health are believed to have a favorable effect on growth, which tends to help in output production. And also at individual level remittances increase the income and reduce the poverty of the recipient's.

## **2. 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, developing-country banks that receive remittances can issue bonds to foreign investors backed by the future flow of those remittances. Various developing countries, led by Brazil, 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.

### **2.1.3 Characteristics of Remittance**

According to Pant the characteristics of Remittances are as follows:

1. 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.

2. Remittances may remain stable in the economic downturn in source developed countries. If the migrant workers are forced to return 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.

3. 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.

4. 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.

#### **2.1.4 Mode of remittance**

Following are the modes of remittance through which remittance are collected.

##### **Managers Cheques**

With a validity of 6 months from the date of issue, Managers Cheques is one of the most secure modes of payment with the primary liability being that of the issuing bank. Ideal for making payments within the country or simply for transferring funds between cities.

### **Demand Draft**

Be it traveling abroad or making payments, our Drafts provide you security and convenience. KBL currently issue INR drafts payable at par in major cities of India and USD drafts payable at par in most parts of the world. The continuous effort to better service is offering local currency draft payable at par in major cities of the country in absence of our branching network.

### **Telex Transfer**

Need to transfer your funds quickly and securely within the country or anywhere outside the country - the electronically transfer funds on the same day or next working day or with a forward value date. Also, receive funds from practically anywhere in the world and get the amount credited to your account or send it outward through a Demand Draft or Managers Cheques for have it in cash.

### **Travelers Cheque**

If the business involves travelling a lot, certainly need a bit of cash. It now offer you an alternative as good as cash the world over - American Express Travelers Cheques - one of world's premier Traveler's Cheque as safe and convenient companion on your travel abroad.

Very rare thesis works has been conducted to identify the remittance business. However until recently many researchers have shown interest in the field of analyzing effect of remittance on the economy and related area of remittance. They have carried out different study to illuminate the total vision or 3D view on the remittance. Their findings and suggestion are reviewed here.

## **2.2 Review of Articles and Journals**

The article 'Lahureys' prop Nepal's economy, Nepal now has a remittance economy, money sent home by workers abroad equals the annual budget',

**R. Dahal (2000)** *'Tourism and exports, took over the top spot later'*. Accurate data in remittance is found only of British and Indian former soldiers. Besides these other data used are found different in different study conducted by deals with the fact that how the remittance provided by the migrants has been propping up the Nepal's economy. The writer has explained the history of migration in Nepal and after the name of Sikh King's Capital Lahore (now in Pakistan) the Nepali migrant was named as Lahurey. According to his study he found that remittances from Nepalese abroad today contribute more than tourism, foreign aid and exports put together. Nepal's economy today is a remittance economy. Oversubscription of shares and burgeoning savings deposits on remote districts' Banks show there are so much cash in the informal economy.

Different economic surveys are showing increase on Nepal's Per Capita Income, Balance of Payment, Foreign Currency Reserves; these are due to the remittances that are inflowing every year. Government officials say the main reason the Nepali financial market is witnessing the present excess liquidity is the huge amount of remittances entering the country. From the study, the author came to finding that till as late as 1971, the earning of British Gurkhas the highest source of foreign currency for Nepal.

Study also concluded that most preferred mode of money transfer in Nepal in countries other than India is Hundi. The foreign earned wealth then comes into the country in kind, the bulk as gold. The study found that the money used on purchase of gold is purchased using Hundi Money. Since, none of the Nepali Bank has provided foreign currency to import gold. But presently most of the remittances are coming into Nepal through regular Banking channels because the difference between bank and hundi rates have fallen to 3-4% from the earlier 12-14%. Though, the remittance is propping economy, there is still no official acknowledgement of the substantial role that this money from outside plays in keeping the country's economy afloat. At the end, the writer ended the article

concluding that only in recent years has the Nepali government been taking note of the importance of foreign employment for the Nepali economy. Even then, it views it more as a safety valve to relieve the pressure of unemployment rather than as a source of income. Neither has there been any attempt by the state to facilitate entry of cash into the country. Overseas remittances sustain the Nepali economy. It is this country's economic lifeline (<http://www.nepalitimes.com/issue/8/Nation/10937#>).

**S. R. Shrestha (2006)** the article '*Foreign Remittance: A Panacea for Nepalese Economy*'. Chief Manager of Nepal Rastra Bank has focused on the Remittance, its network and impact on economy. He further described about the effective management of Remittance and the role of different governing parties for well management of remittance.

In the article, the author started with the evolution of foreign migration in country and gradually it developed the tradition / fashion in general public. Different reason which boost up the fashion of out migration and its effect on the economy of country. The tradition of going abroad begun in Nepal by recruitment of Gurkha Soldier by the British East India Company. Different reasons- stagnant agricultural economy, lack of new opportunity and political instability continues to push Nepalese to foreign Migration.

Most Nepalese preferred destination is gulf countries. Amongst out migrant approximately 40% migrant send remittance and according to his study very few percent of migrant send remittance through formal channel. Though, he does not deny that remittance providing greater cushion against a potential economic crisis. Remittance generates positive multiplier effects in output if they are consumed and contribute to economic growth if they are invested productively. Because the remittance is one of important pillar of Nepalese economy, the author has focused his latter part of article on its importance and defined the practiced way of

remittance in Nepal, key issues in Remittances service and then suggested some points for better effective management of Remittance.

He concluded his article by showing its advantages; not only the immediate monetary gain but beyond that. Some scholars suggest that returning migrants increase social Capital through exposure to new technology, ideas, language and people and produce intangible but important benefits to societies. According to him Remittance money represents the most essential of family values, hard work, thrift, sacrifice and hope for a better. However, social mobilization and awareness are necessary requisites for effective use of remittance money. Stopping migration is neither feasible nor desirable. Thus, the government should introduce different effective programs and incentive to increase migrants' investment and needs to play a supporting role for those seeking foreign employment and for those migrants seeking to invest in their homeland. Again he has mentioned the negative side or unintended side effects of the remittances as well and suggested Remittances may be regulated for various reasons including prevention of their misuse such as money laundering. Moreover, regulating remittances solely by type of entity may make regulation less effective by creating loopholes which can be exploited for illegal activities and distort markets by enabling some remittance operators to inappropriately avoid the costs of regulation. Hence, they offer artificially cheaper services. The efficiency of remittances services depends on the competition business environment. The distinctive feature that worker remittance particularly important instrument for the economy development is their relative stability compared to private capital and financial flows. In terms of the life cycle duration of individual remittance theory holds that the larger the duration of management states the lower the probability of large flows of remittance. This urges us to speed up our efforts to exploit the potential of remittances sooner rather than later. Their immense role calls for new ways of achieving a sustainable growth a full formalization and higher effectiveness of remittance. At the end, he concluded his

article by stating that this is not a battle we can win today, it requires a lot of attention and good will and complete enforcement strategy published on 1st 'Nepal Rastra Bank' 51 Annual Publication.

**S Pandey (2007)** '*UICIFD Briefing Remittances*' published on The University of Iowa Centre for International Finance and Development, explained what a remittance transfer is and which players are involved. It also has assessed the positive and negative impacts that remittances may have on development and developing economies.

In this brief, the author indicated remittance transfer as international remittance. Money is transferred using formal and informal channels. Informal transfers are neither reported nor monitored, measuring them accurately is problematic, so projection for unofficial remittance is speculative. Whether any channel (informal or formal) for transferring money, RSPs must be networked. They must all have access points along the remittance chain. Capturing agent collects fund from sender and other end of the chain, disbursing agent disburse the fund to receiver through any access points. Information should be communicated regards to transfer that is occurring; this is referred to as 'messaging'. A 'settlement' comprised of same arrangement for the actual transfer of the funds is also required. Whether considered formal or informal, the World Bank separates avenues for international remittances into four categories: unilateral, franchised, negotiated, and open.

The author in her brief stated that remitters are motivated by both obligatory and voluntary purposes. Although some remittances arise from familial obligations, as with a short-term loan or prearranged repayment for educational expenses, reports indicate that many remitters transfer money for altruistic reasons. The studies show that the majority are spent on household expenses. On her findings, the remittances are spent on household on basic needs and extra are spent on education and health care. It is also estimated that for every one-percent increase in remittances as a fraction of a receiving country's GDP, the population living in poverty is reduced

by approximately four-tenths of a percent. It is also stable form of external finance. The author has also enlighten about negative impact of it and possible remedial. Its main negative impact is; community becomes dependent on remittance. And it may also result wider difference between haves and have-nots. On the other hand, she pointed out key concern about remittance as lack of transparency on remittance transfer. Beside this, weaknesses in the payment system infrastructure, Unpredictable, unconscionable, and discriminatory regulatory and legal frameworks, Lack of competitive market conditions, Lack of appropriate governance and risk management practices are also problem, facing by international remittance and remedial of these areas are important.

In Conclusion, the author has ascertained although immigrants have been sending money home for generations, the data on remittances are only now being analyzed. Some view international remittances as an important economic tool assisting underdeveloped countries while providing a mobile labor-force to more developed nations. In order to increase the amount of assistance and minimize abuse, new regulations are being proposed. Broad improvements to the networks of RSPs and their operations should lead to greater transparency, consumer protection, and financial security. In addition, the extension of financial services and products to the poor should lead to increased financial democracy.

(<http://www.uiowa.edu/ifdebook/briefings/docs/remittance.shtml>)

**N B Gautama (2009)** in their '*e-book- Remittances and Development of the University of Iowa Centre for International Finance and Development*' focused on remittance and its effect. In this article, the authors analyzed about the remittance, its importance, problem related to it, and its mechanism and their cost. The article main objective is to get answer of the questions;

- ) How do funds get to the receiver in other countries?
- ) How does this external source of finance to developing nations affect their economic growth?
- ) What are the short term and long term effects of remittances on emerging markets? ( [http://www.uiowa.edu/ifdebook/ebook2/\\_contents/part4-II.shtml](http://www.uiowa.edu/ifdebook/ebook2/_contents/part4-II.shtml))

**M Karki, (2010)** on his '*Remittance- drives the economy*' on 15 November 2006. 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 2010.

In the writing, the authors has indicated that the international finance communities are realizing the importance of the remittance as it has become as both the rate and volume of remittances have increased exponentially. Still good portion of the

transfer is made on an informal basis and due to various reasons; it's problematic to gather accurate data. But through the analysis of available data analysts concluded that the growth of remittances has exceeded private capital flows and official development assistance to developing countries. Moreover, remittances are a reliable source of foreign capital; in the 1990s they were the least volatile source of foreign exchange. Remittances have developed into an important source of income for many developing countries and, thus, have significant effects on their economic stability and growth. To illustrate on a global scale, remittances now account for almost a third of global external finance. For many of the developing nations they flow into, remittances can increase the national Gross Domestic Product by a significant percentage.

The authors came with the finding that reducing remittance costs and improving the infrastructure would be beneficial in several ways. By reducing costs, remitters will have more disposable income, which may translate into increased remittances. Reduced costs will also increase remittance flows through formal channels, such as banks. And improved infrastructure will promote better financial access among the poor in developing countries. Some analysts and scholars argue that remittance benefits are only felt at the individual receiver's level, but some case studies suggest that the benefits of remittances to individuals have spill-over effects that can translate into a positive impact on the local economy. And some study concluded that income from remittances allows receiving families to decrease their own work and productivity, which then translates into a reduction in the labor supply for the developing country. The author concluded the article with the view that the most scholars and analysts seem to agree on is that the remittance phenomenon will continue to have a real and growing impact on the economies of both developed and developing countries, and, therefore, warrant further study.

### 2.2.1 Review of Thesis

**K C. (2006)** 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 Finding by survey in the study are main destinations of Nepalese workers are Gulf countries and Malaysia. 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. 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. More than

**Dawadi, (2007)** study on ‘*A Study of Remittance of Nepal*’ has stipulated the main objective of study as to define properly the contribution of remittance and the role of remittance income for economic development of the country. Furthermore, the study analyzed the socio-economic implications of remittance, compared the relationship of remittance with different economic factor viz., foreign direct investment, GDP, grants and pension in Nepal. This study helps others to know the advantages and importance of flow of remittance through formal channels for the country. It is well known that the development of the country largely related to the level of economic development and on the growth of the different sectors like financial institutions, industry etc. And as, today's greatest phenomenon among youth of the country is to get abroad in any way as student or migrant and earn money to support their families back home, Financial institutions are highly

focusing on entering the foreign currency in Nepal through the venture of remittance. So, currently remittance is making impression in whole economy. In the study the researcher concluded with the view that there are always for and against of any issue in the world. Similarly, Remittance has also its favorable and opposite effects. As remittance is sent by the migrated work force, in this case not only the worker is migrating, but also the skill, talent of the country which is essence of the country is also migrating which will negatively effect on the development of the country indirectly. If we overlook above fact, the importance of it is much greater because remittance is considered foundation to Nepalese economy. It plays a vital role in the development of the country by helping to increase or uplift the economy and GDP of the nation. And also living standard of the nation has been increased through remittance. Remittance income in developing countries has become a lifeline for economic development. It helps to boost the economy of the nation. So, the government should look into the possibilities to improve the remittance field and business in Nepal. Furthermore, educate all the people to use the formal channels while remitting their fund as it is the safest and reliable way to transfer their money and also it will provide multiplier effect on nation economy.

Lastly, the researcher has put some suggestion showing its importance. According to him, remittance is the backbone of the economy of the developing countries. On the basis of various analysis, the researcher concluded that the country has been receiving the huge number of remittance in the last year and the increment of the remittance fund from year to year has been also increasing with the higher proportion and expected to be increased in the coming year too. Hence, Government should take a proactive action against the remittance. Government should actively promote the formal channels of remittance inflow and discourage the informal channel of remittances. Awareness regarding the pros and cons of formal and informal channels is the most. Insecurity and time consuming pattern in

transmitting the remittance through informal channels and positive factors on using formal channels should clearly mentioned and educated to general public.

Furthermore, the researcher has suggested that Governing bodies should help in remittance business by providing tax holidays or reducing tax so that banks and financial institutions can reduce commissions in the remittance and make the method so easy and understandable to any kind of the person literate and illiterate as well.

Additionally, government should focus on the remittance sectors where it can increase its remittance inflow from the different parts of the world. The researcher at the end concluded the study by focusing on providing education among general public about the formal channel and encourage to send money through the formal channel as Remittance being a vital part of the economy of the developing countries, all the people should be aware of the importance of this to the country.

**Dhital (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 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.

At last, the researcher concluded that foreign employment and remittances is one important component of national economy. 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. 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.

As a summary, the researcher concluded that the Economic and Social condition of all the families who have involved in foreign employment have increased. It may be in both aspects i.e. economic as well as social but surely there is positive change in the status of the families of the respondents due to remittance income. So it is confirmed that remittance income is playing very vital role in reducing the poverty level of the study area.

**Dhital (2008)** *“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 become greater options in selecting nearest location from the remittance could be collected.

**Regmi, K. (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.

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remittance in productive sector, and training the migrant so they get good payment as skilled labor.

**Niraula, V.K. (2010)** 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.

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,

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 become greater options in selecting nearest location from the remittance could be collected.

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. 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 from foreign employment could change the development status of the country by substantially contributing to poverty alleviation, which is the cynosure of the tenth plan. 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.

### **2.3 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: -

- ) Policy Research
- ) Action Research
- ) Evaluation Research
- ) 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 a set of instructions to the investigator to gather and analyze his/ her data in a certain way. Research design describes the general plan for collecting, analyzing and evaluating data after identifying. Research design is an integrated system that guides the researcher in formulating, implementing and controlling the study. Useful research design can produce the answers to the proposed research question. According to Kerlinger, “A research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance.” Thus it answers the questions such as; what is the researcher wants to know? Likewise what has to be dealt with in order to obtain?

The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing the hypothesis and their operational implications to the final analysis of the data. Similarly, According to Woulf and Pant, “Research design describes the general plan for collecting, evaluating data after identifying what the researcher wants to know and what has to be deal with in order to obtain the required information.” The research design is thus an integrated frame that guides the researcher in planning and executing the research works and to provide a maximum amount of information relevant to the problem under investigation at a minimum cost. Research design may include different forms such as historical research, descriptive research, development research, correlation research, case study research, casual comparative research, true experimental research, quasi experimental research, action research and explorative research.

The research design of this study is analytical as well as descriptive approaches to evaluate the financial performance of the Kumari Bank Limited. Basically this study is based on secondary data and the past five years data will be used for the

findings of objective. Therefore, use of past and present data of remittance has helped to study the remittance business.

### **3.2 Population and Sampling**

Nowadays, a number of commercial banks have emerging rapidly. Some have established and other are in the process of establishment. Here, all the commercial banks are population of the study and Kumari Bank Limited has been selected as sample for the present study. And only latest five years financial statements are analyzed.

### **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 classified as primary data and secondary data.

#### **Primary Data**

Primary data are those data which are originally collected by the researcher for the first time for the purpose of enquiry. These types of data are obtained in the survey and enquiries conducted by government, some individual, institution and research bodies. For example, an investigator wants to study the salaries of teacher working in the campus then the data collected by the investigator himself through different interviews and questionnaires are primary data. Because of time limit and nature of study, the primary data are not used in this study.

#### **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: -

- ) Bulletins and reports
- ) Annual report of Kumari Bank Limited
- ) Nepal Rastra Bank Publications such economic review, mirmire, etc
- ) Discussion with financial officers and experts.

### **3.5 Methods of Data Analysis**

Financial performance is analyzed through the use of two important tools. The first most important tool is the financial tool that includes ratio analysis.

#### **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 output 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 Kumari Bank Limited.

- ) Remittance received by KBL to Total remittance received in Nepal Ratio
- ) Commission received by KBL to Remittance received by KBL Ratio
- ) Remittance by Cash and Bank Balance Ratios.
- ) Remittance by Total deposit Ratio
- ) Remittance by Loan and Advances Ratio
- ) Remittance by Investment Ratio
- ) Net profit by Remittance Ratio

**a) Remittance received by KBL to Total Remittance received in Nepal Ratio:** - This ratio measures the remittance received by KBL in terms of total remittance received by Nepal. It shows the proportion of remittance received by KBL.

$$\text{KBL Remittance to Nepal Remittance Ratio} = \frac{\text{Remittance Received by KBL}}{\text{Total Remittance Received in Nepal}}$$

**b) Commission received by KBL to Total Remittance received by KBL Ratio:** - This ratio is used to measure the proportion of commission received by KBL in terms of Total remittance received by KBL. The ratio is calculated as: -

$$\% \text{ of Commission in Total Remittance} = \frac{\text{Commission Received by KBL}}{\text{Total Remittance Received by KBL}}$$

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 creates deposits into the bank. So, this ratio is calculated to know how much remittance is contributed to Total deposit.

This ratio is calculated as:

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

e) **Loan and Advance to Remittance Ratio:** - This ratio shows how much remittance money is used in loan and advances. 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 KBL. This is computed by dividing net profit to Remittance.

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

### 3.5.2 Statistical tools

The statistical tools related for the comparison of Kumari Bank 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: -

$$C.V. = \frac{\dagger}{X} | 100$$

Where,

† = Standard deviation

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: -

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{[n \sum x^2 - (\sum x)^2]} \sqrt{[n \sum y^2 - (\sum y)^2]}}$$

Where,

n = No. of observation

X = Sum of observation in series X

Y = Sum of observation in series Y

### 3.5.2.5 Probable Error

Probable error of the correlation coefficient is denoted by P.E. It is used for the testing the reliability of the calculated value of r. P.E. is defined by: -

$$\text{P.E. (r)} = \frac{1 - r^2}{n}$$

Where,

P.E. (r) = Probable error of correlation coefficient

r = Correlation coefficient

n = Number of observation.

### 3.5.2.6 Trend Analysis

Trend analysis has been a very useful and commonly applied statistical tool to forecast the future events in quantitative terms. On the basis of tendencies in the dependent variables in the past periods, the future trend is predicted. This analysis takes the historical data as the basis of forecasting. This method of forecasting the future trend is based on the assumptions that the past tendencies of the variables are repeated in the future or the past events affect the future events significantly. The future trend is forecasted by using the following formula: -

$$Y = a + b x$$

*Where,*

Y = The dependent variable

a = The region i.e. arithmetic mean (intercept)

b = The slope coefficient i.e. ratio of change

X = The independent variable

## **CHATER– 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), for ex 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**

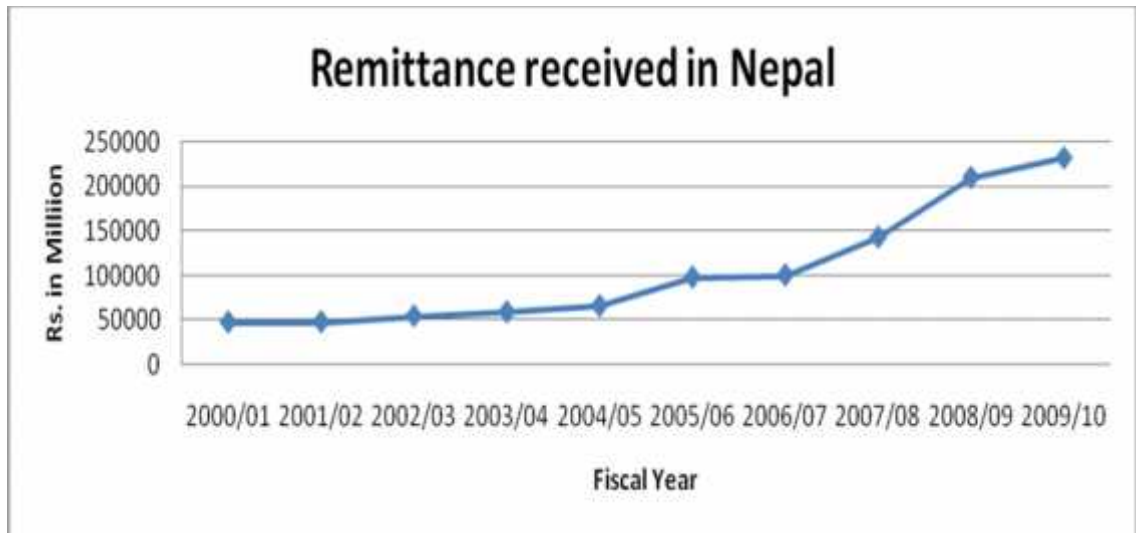
Rs. in '000

<b>Fiscal Year</b>	<b>2000/2001</b>	<b>2001/2002</b>	<b>2002/2003</b>	<b>2003/2004</b>	<b>2004/2005</b>	<b>2005/2006</b>	<b>2006/2007</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>2009/2010</b>
Shrawan	2445.9	2954.1	2361.1	5562.1	5362.5	5939.5	7713.0	9364.4	12289.4	16623.0
Bhadra	2849.9	3456.4	4594.9	6416.5	5251.4	6035.1	7924.8	8973.7	169446.2	18367.7
Asoj	6156.6	6741.3	8872.0	5269.4	5073.5	6514.7	8124.2	9504.4	17343.1	16761.3
Kartik	3918.3	4042.7	5207.1	5185.0	5089.0	8573.6	7911.3	104006.2	16877.2	15897.3
Mangsir	3859.7	4049.0	3706.3	4330.9	5025.3	9709.3	8608.8	9131.4	15086.0	19097.1
Poush	3923.8	3918.6	3923.9	4280.6	5069.6	9139.1	7987.3	9678.2	15760.0	19443.1
Magh	4006.0	3671.5	5222.2	4291.9	5188.7	7544.3	7728.3	11943.0	15100.6	18124.9
Falgun	4060.6	3817.0	5042.6	5163.2	5485.9	7752.6	8353.0	13421.2	21605.4	19643.9
Chaitra	4206.9	4017.8	4640.1	4530.6	5634.2	9065.4	8037.8	11425.7	19413.4	20970.7
Baisakh	3811.2	4194.7	4148.0	4115.0	5830.9	7600.6	7890.4	14924.1	18753.8	21514.4
Jestha	2383.4	2858.8	2564.0	4548.5	6090.4	9820.4	10825.9	16336.5	19705.7	24724.5
Ashad	5593.8	3814.4	3921.1	4893.9	6439.8	9993.9	9040.0	17573.9	20817.7	20557.4
<b>Amount</b>	<b>47216.1</b>	<b>47536.3</b>	<b>54203.3</b>	<b>58587.6</b>	<b>65541.2</b>	<b>97688.5</b>	<b>100144.8</b>	<b>142682.7</b>	<b>209698.5</b>	<b>231725.3</b>

(Source: - Nepal Rastra Bank Bulletin; 2010)

The above table 4.1 shows the total remittance received in Nepal from fiscal year 2000/01 to 2009/10. From the above table we can see that the highest remittance received is in the year 2009/10 which is Rs. 231725.3 thousands and lowest remittance received is in the year 2000/01 which is Rs. 47216.1 thousands. The total highest remittance collected in the month of 2009/10 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.

**Figure 4.1**



The above figure 4.1 shows remittance in Nepal from fiscal year 2000/01 to 2009/10. The above trend line shows that the ratios are in increasing trend through the year from the fiscal year 2000/01 to 2009/10 of the study period.

#### **4.2 Remittance Collected by KBL**

Kumari 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.

**Table 4.2**

#### **Total Remittance received by KBL**

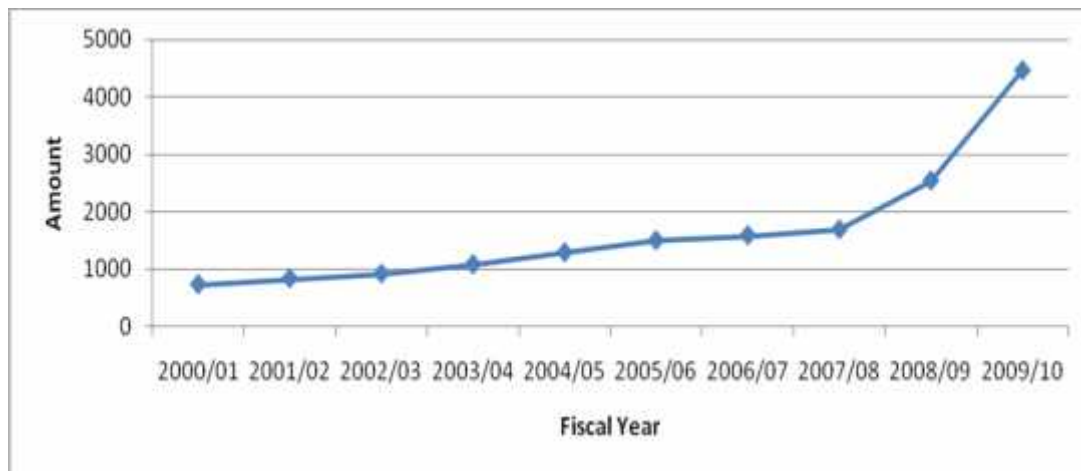
Rs. in '000

Fiscal Year	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Remittance	731.39	836.93	917.73	1079.34	1286.90	1497.70	1586.27	1687.61	2541.35	4462.30

(Source: - Kumari Bank; Remittance Department)

The above table 4.2 shows the total remittance received by KBL from fiscal year 2000/01 to 2009/10. From the above table we can see that the highest remittance received is in the year 2009/10 which is Rs. 4462.30 thousands and lowest remittance received is in the year 2000/01 which is Rs. 731.39 thousands. This shows that every year remittance receiving by KBL 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.

**Figure 4.2**  
**Remittance received by KBL**



The figure 4.2 shows the remittance received by KBL from the fiscal year 2000/01 to 2009/10. The figure clearly shows the increasing trend of the remittance received by KBL. The ratios are in increasing trend and in the final year 2009/10, the remittance ratio is very high when we compare with the preceding year 2008/09. It is nearly twice greater than previous year. Since remittance business of KBL 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, KBL has played a vital role for economic growth.

### 4.3 Comparisons between Total Remittance and KBL Remittance

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

**Table 4.3**  
**Comparisons between Total Remittance and KBL Remittance**

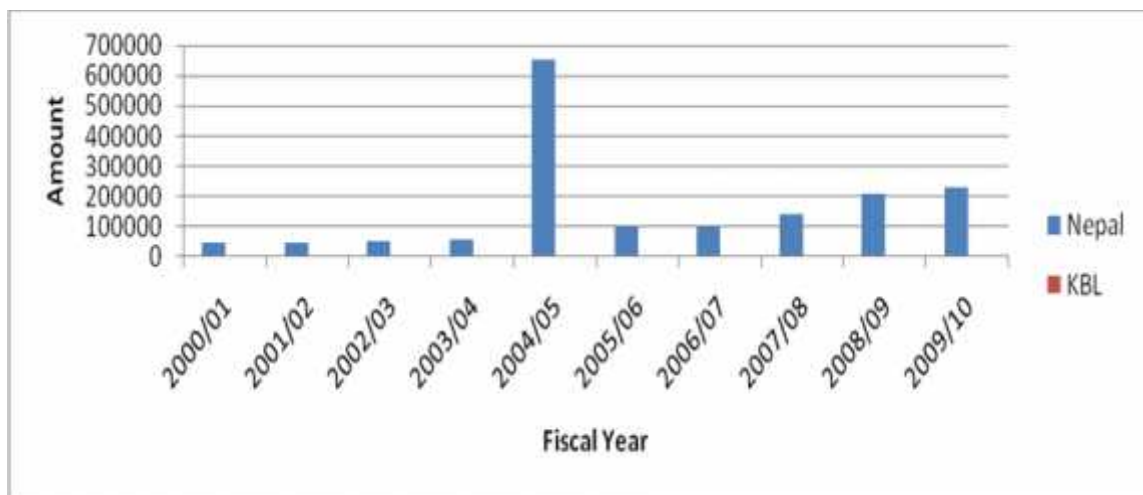
Rs. in '000

Fiscal Year	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Nepal	47216.1	47536.3	54203.3	58587.6	65541.2	97688.5	100144.8	142682.7	209698.5	231725.3
KBL	731.39	836.93	917.73	1079.34	1286.90	1497.70	1586.27	1687.61	2541.35	4462.30

(Source: - NRB, and Kumari Bank; Remittance Department)

**Figure 4.3**

**Comparison between Total Remittance and Remittance received by KBL**



The above table 4.3 shows the comparisons between total remittance in Nepal and remittance received by KBL. 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 KBL

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

**Table 4.4**

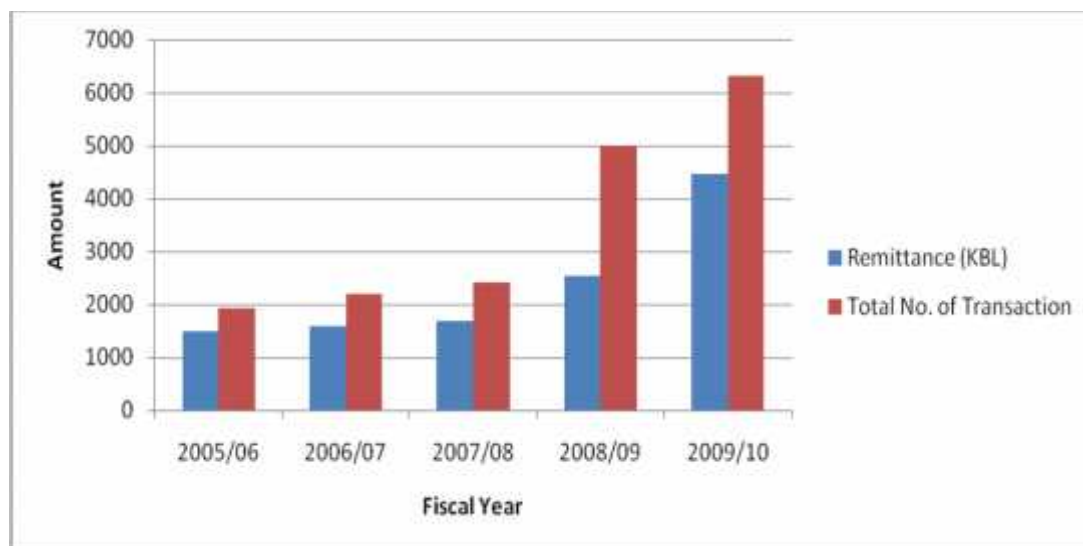
**Total Number of Transaction done by KBL**

<b>F.Y</b>	<b>Remittance (KBL)</b>	<b>Total No. of Transaction</b>
2005/06	1490.70	1931
2006/07	1586.27	2193
2007/08	1687.61	2408
2008/09	2541.35	4997
2009/10	4462.30	6305

(Source: - KBL; Remittance Department)

**Figure 4.4**

**Total Number of Transaction done by KBL**



The table 4.4 shows the total remittance received by KBL 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 2009/10 where there is 6305 transaction and lowest is in the fiscal year 2005/06 where there is 1931 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 2009/10 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.

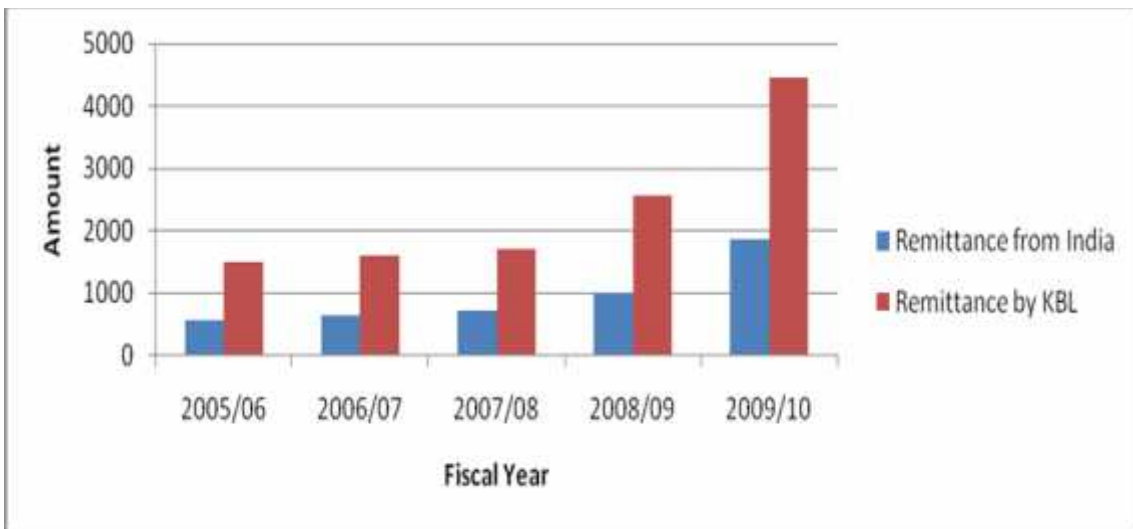
**Table 4.5**  
**Remittance Received from India by KBL**

Rs. In million

<b>F.Y</b>	<b>Remittance from India</b>	<b>Remittance by KBL</b>	<b>Percentage</b>
2005/06	539.27	1490.70	0.36
2006/07	612.82	1586.27	0.38
2007/08	691.47	1687.61	0.41
2008/09	978.61	2541.35	0.38
2009/10	1837.44	4462.30	0.41

(Source: - KBL; Remittance Department)

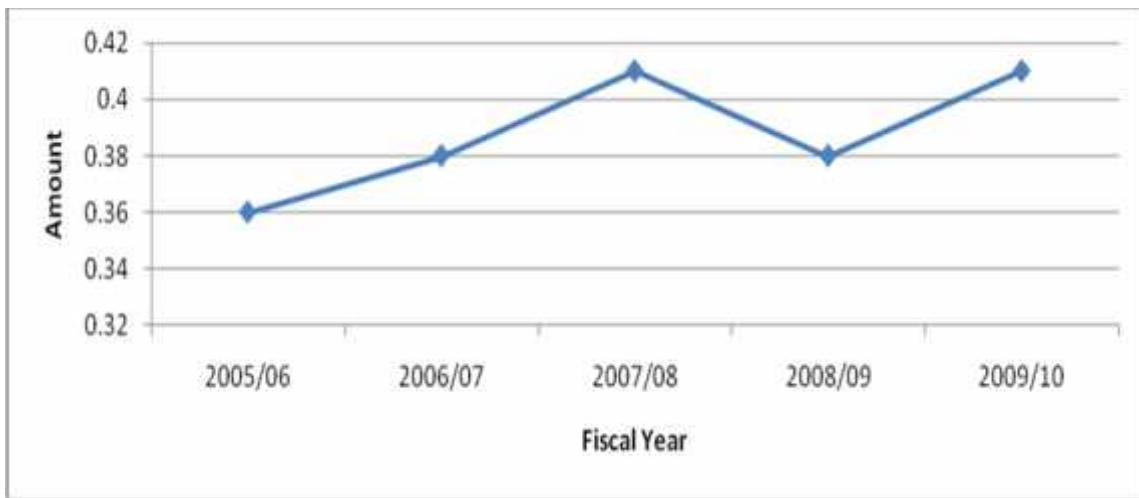
**Figure 4.5**  
**Remittance received from India by KBL**



The table 4.5 shows the remittances received from India and the total remittance received by KBL. The highest remittance received is in the fiscal year 2009/10 where it is Rs. 1837.44 million and lowest is Rs.539.27 millions in fiscal year 2005/06. The highest percentage of remittance received is in year 2007/08 and 2009/10 where there is 41.00% and lowest percentage of remittance received is in

year 2005/06 where there is 36.00%. 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.

**Figure 4.5 A**  
**Percentage of Remittance received from India by KBL**



The figure 4.6 shows the percentage of remittances received from India and the total remittance received by KBL. The figure shows that the percentage increase first increasing trend till year 2007/08 and then from there is in decreasing in year 2008-09 and finally increasing in the last fiscal year 2009/10 of the study period.

#### **4.6 Remittance received from Other Part of the World**

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**

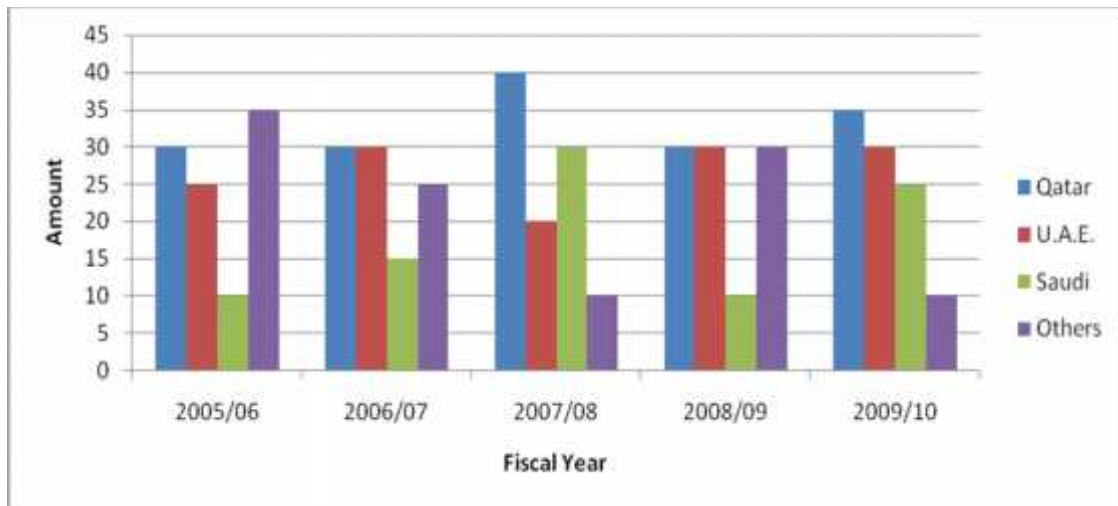
<b>F.Y</b>	<b>Qatar</b>	<b>U.A.E.</b>	<b>Saudi</b>	<b>Others</b>	<b>Total</b>
2005/06	30	25	10	35	100
2006/07	30	30	15	25	100
2007/08	40	20	30	10	100
2008/09	30	30	10	30	100
2009/10	35	30	25	10	100
<b>Average</b>	<b>33</b>	<b>27</b>	<b>18</b>	<b>22</b>	<b>100</b>

(Source: - KBL; Remittance Department)

The Table 4.5 shows the total remittance received from Qatar, Dubai, Saudi and other part of the world. The amount is calculated in percentage due to insufficient data received from the remittance department of KBL. For comparison between the countries, we have taken an average ratio. The highest average ratio is Qatar where there is 33% and the lowest ratio is other part of the world where there is 18%. In 2009/10, Saudi has the highest remittance sender from where there is 35% in comparison and lowest is other countries where there values is 10%. These countries are the third countries from where remittance money is getting highly after India.

**Figure 4.6**

**Remittance received from other part of the world in percentage by KBL**



The above figure shows the remittance money received by KBL from Qatar, Dubai, Saudi and other part of the country. The bar diagram shows that Saudi has the highest remittance collection in the year 2009/10 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 Kumari Bank. The important tools of the ratio analysis are as below: -

**4.7.1 Remittance received by KBL 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 KBL to Total Remittance Ratio (in percentage)**

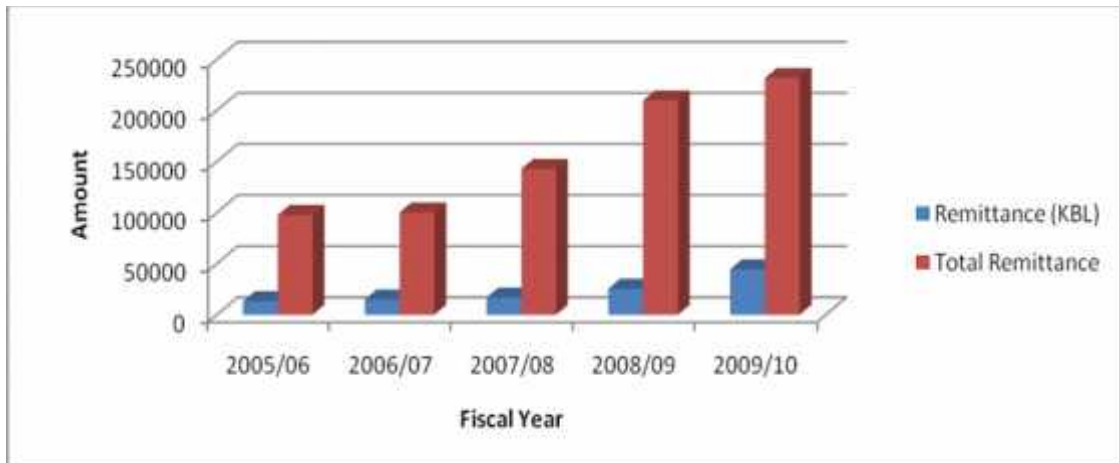
(Rs. in '000)

F.Y	KBL		
	Remittance (KBL)	Total Remittance	Ratio
2005/06	13158	97688.5	13.46
2006/07	14932	100144.8	14.91
2007/08	16870	142682.7	11.82
2008/09	25421	209698.5	12.12
2009/10	44354	231725.3	19.14
		<b>Average</b>	<b>14.29</b>
		<b>SD</b>	<b>2.97</b>
		<b>C.V.</b>	<b>20.82%</b>

(Source: - Appendix 1)

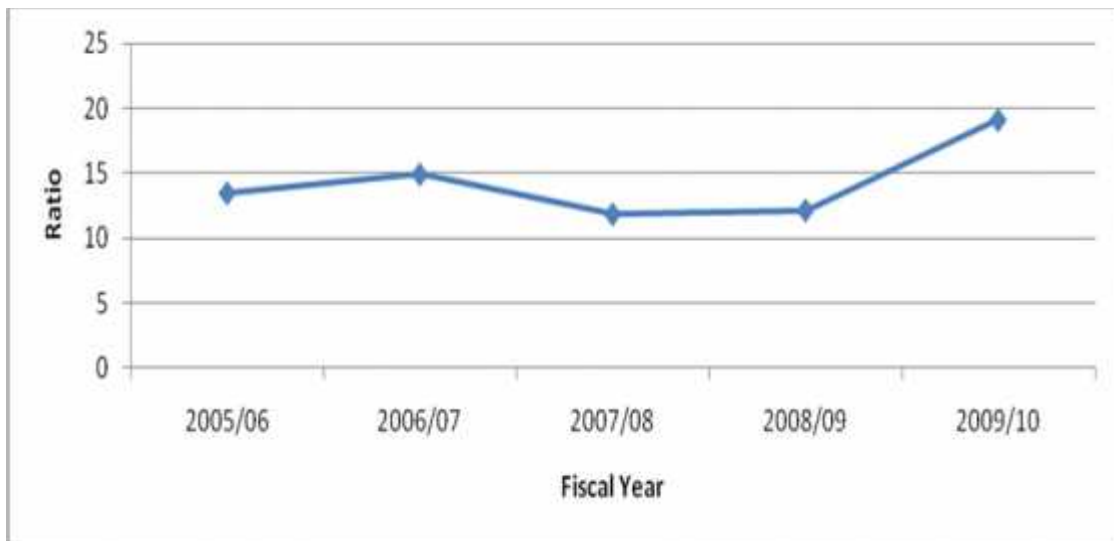
**Figure 4.7**

**Remittance received by KBL to Total Remittance Ratio**



The table shows the ratio of remittance received by KBL to total remittance received by Nepal and the ratios are in increasing trend except in the fiscal year 2007/08. In KBL, the ratios ranges from 11.82% (2007/08) to 19.14% (2009/10) and the average is of 14.29%. The ratio shows that on average 14.29% of total remittance is received by KBL bank. Higher the ratio indicates higher the proportion on total remittances. The standard deviation of KBL is 2.97 and C.V. is 20.82% which indicates high risky and high variations in the ratios.

**Figure 4.7 A**  
**Remittance to Total Remittance Ratio**



The above figure 4.11 shows the moving trend of the ratios of KBL from the fiscal year 2005/06 to 2009/10. From the above figure, it is clearly seen that the ratios are in increasing trend in the beginning and then decreasing trend in fiscal year 2007/08 and from there is again increasing trend to the last fiscal year 2009/10 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)**

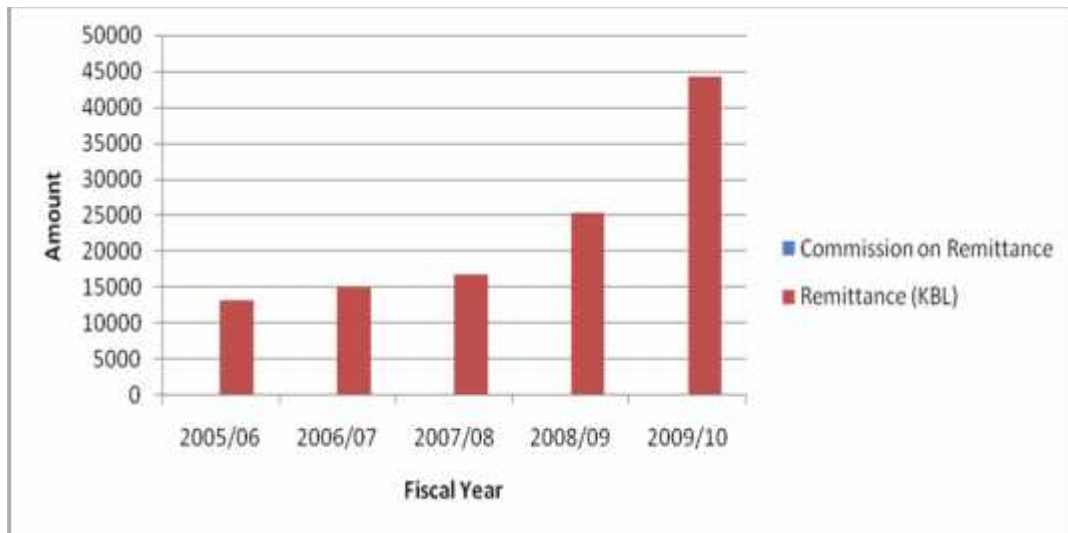
(Rs. in '000)

	<b>KBL</b>		
<b>F.Y</b>	<b>Commission on Remittance</b>	<b>Remittance (KBL)</b>	<b>Ratio</b>
2005/06	39.49	13158	0.30
2006/07	46.58	14932	0.31
2007/08	69.34	16870	0.41
2008/09	109.13	25421	0.43
2009/10	269.37	44354	0.61
		<b>Average</b>	<b>0.41</b>
		<b>SD</b>	<b>0.12</b>
		<b>C.V.</b>	<b>30.48%</b>

(Source: - Appendix 2)

**Figure 4.8**

**Commission on Remittance to Remittance by KBL**

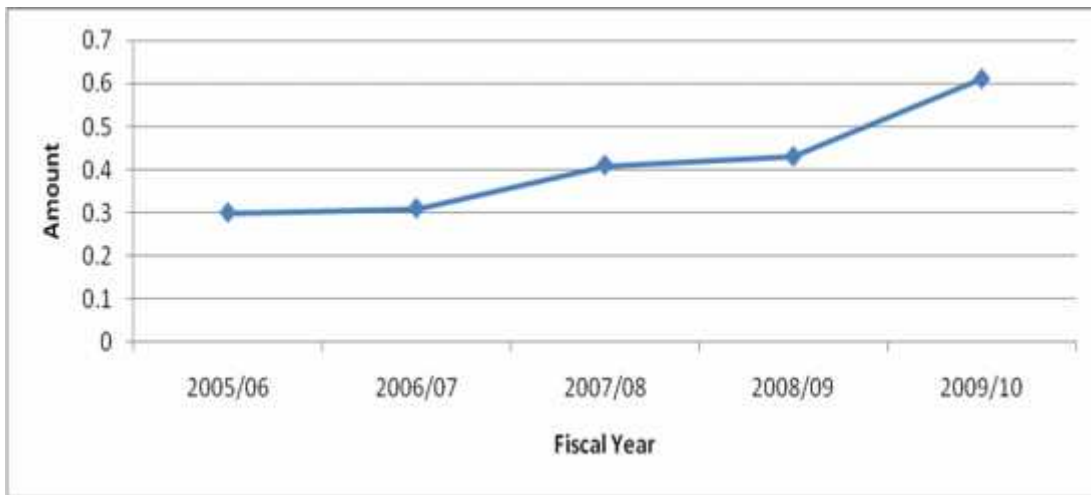


(Source: - Table 4.8)

The table shows the ratio of commission on remittance to remittance by KBL. In KBL, the ratios are in increasing trend. In KBL, the ratios ranges from 0.30% (2005/06) to 0.61% (2009/10) and the average is of 0.41%. The ratio shows that on average 0.41% of commission is generated from total remittance received by KBL. Higher the ratio indicates higher the commission in terms of total remittance received by KBL. The standard deviation of KBL is 0.12 and C.V. is 30.48% which indicates risky and high variation.

**Figure 4.8 A**

**Commission on Remittance to Remittance by KBL**



The above figure 4.11 shows the moving trend of the ratios of KBL from the fiscal year 2005/06 to 2009/10. From the above figure, it is clearly seen that the ratios are in increasing trend from fiscal year 2005/06 to 2009/10 of the study period.

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

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

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.

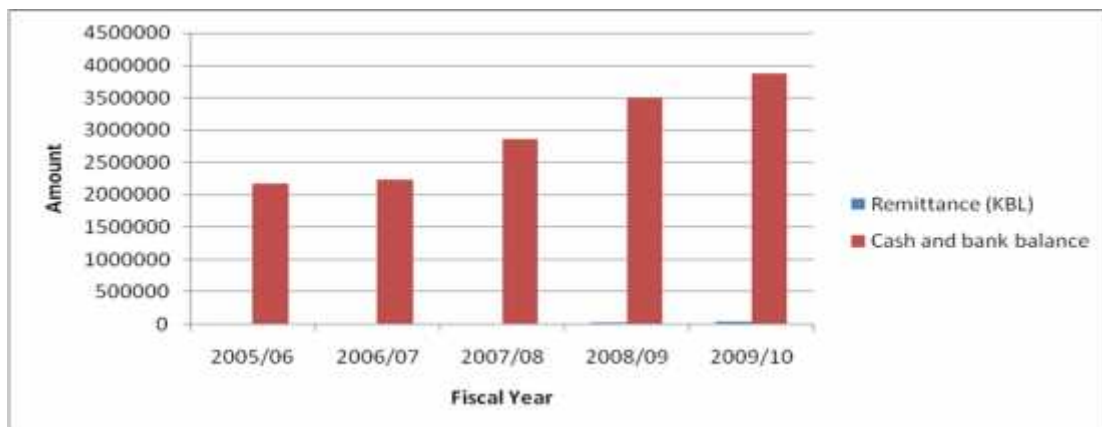
The ratio is as follows: -

**Table 4.9**  
**Remittance to Cash and bank balance ratio in percentage**  
(Rs. in '000)

F.Y	KBL		
	Remittance (KBL)	Cash and bank balance	Ratio
2005/06	13158	2169336	0.61
2006/07	14932	2241514	0.67
2007/08	16870	2854959	0.59
2008/09	25421	3491203	0.73
2009/10	44354	3868621	1.15
		<b>Average</b>	<b>0.75</b>
		<b>SD</b>	<b>0.23</b>
		<b>C.V.</b>	<b>30.69%</b>

(Source: - Appendix 3)

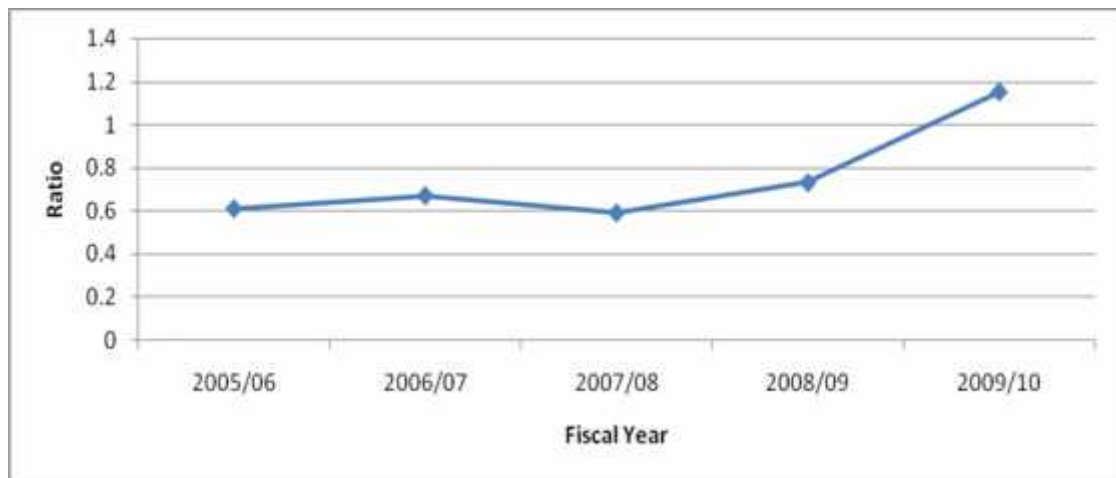
**Figure 4.9**  
**Remittance to Cash and bank balance ratio**



(Source: - Table 4.9)

The above table shows the remittance to Cash and Bank Balance. The highest ratio is in the year 2009/10 which is of 1.15 and lowest is in the year 2007/08 which is 0.59. The average ratio of remittance to Cash and Bank Balance is 0.75. Holding of more cash and bank balance mean keeping the assets idle. So, from the above analysis, KBL 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 KBL to use funds in many securities.

**Figure 4.9 A**  
**Remittance to Cash and bank balance ratio**



The above figure 4.2 shows the moving trend of the ratios of KBL from the fiscal year 2005/06 to 2009/10. From the above figure 4.2, it is clearly seen that the ratios are in increasing trend from the year 2005/06 to 2006/07 and then decreased in the fiscal year 2007/08 and after that the ratios are increased to last fiscal year 2009/10. It means that KBL has been collecting and contributing liquidity position in the last fiscal year.

**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 Kumari bank.

$$\text{Remittance to Total Deposits} = \frac{\text{Remittance}}{\text{Total Deposit}}$$

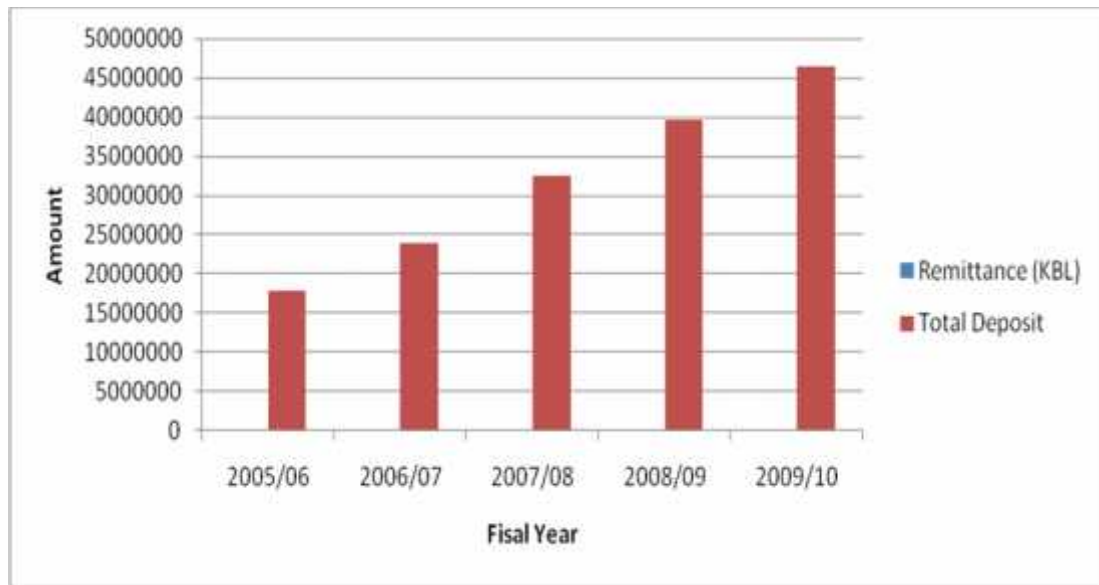
**Table 4.10**  
**Remittance to Total Deposit Ratio (in percentage)**

(Rs. in '000)

	<b>KBL</b>		
<b>F.Y</b>	<b>Remittance (KBL)</b>	<b>Total Deposit</b>	<b>Ratio</b>
2005/06	13158	17927323	0.07
2006/07	14932	23896365	0.06
2007/08	16870	32451756	0.05
2008/09	25421	39698152	0.06
2009/10	44354	46505714	0.09
		<b>Average</b>	<b>0.07</b>
		<b>SD</b>	<b>0.02</b>
		<b>C.V.</b>	<b>28.57%</b>

(Source: - Appendix 4)

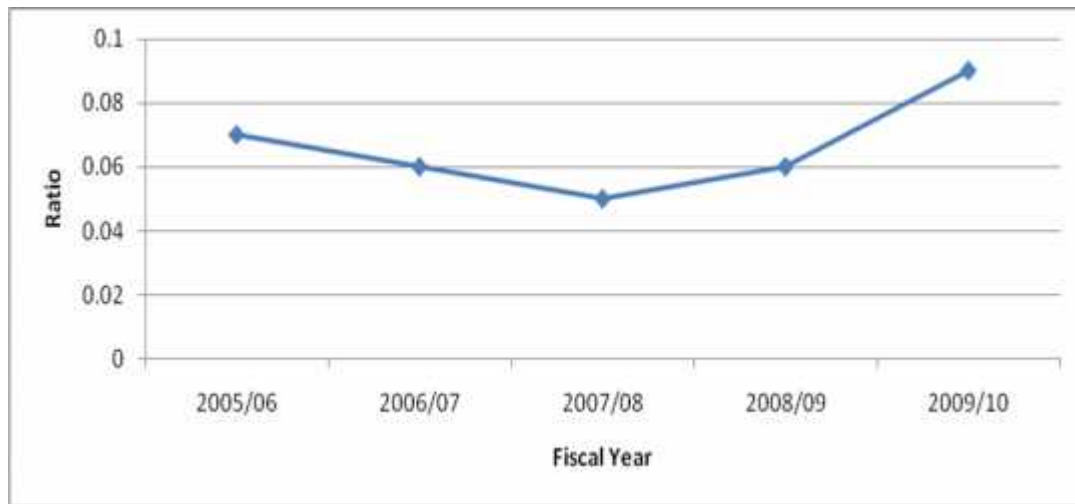
**Figure 4.10**  
**Remittance to Total Deposit Ratio**



(Source: - Table 4.10)

The above table 4.4 shows the remittance to Total Deposit of the KBL. The highest ratio is in the year 2009/10 which is of 0.09 and lowest is in the year 2007/08 which is 0.05. The average ratio of remittance to Total Deposit is 0.07. This table shows that KBL'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. KBL.

**Figure 4.10 A**  
**Remittance to Total Deposit Ratio**



The above figure 4.4 shows the moving trend of the ratios of KBL from the fiscal year 2005/06 to 2009/10. From the above figure, it is clearly seen that the ratios are in decreasing trend. From the fiscal year 2005/06 to 2007/08 there has been decrement in the ratio and from there has been increment in the ratio of the study period.

**4.7.5 Loan and Advances to Remittance ratio:** - This ratio is employed to measure the utilization of their remittance on loan and advances. 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 Advances to Remittance Ratio (in percentage)**

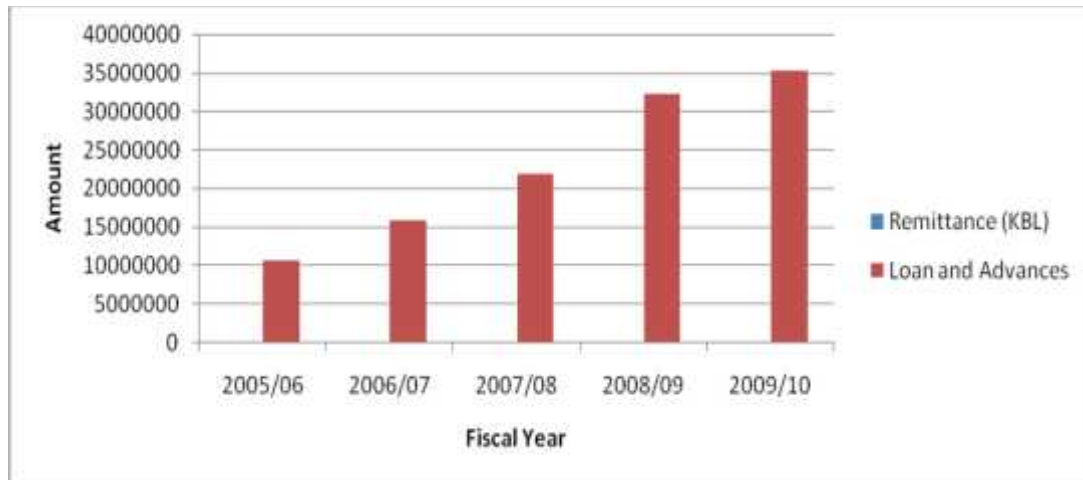
(Rs. in '000)

F.Y	KBL		
	Remittance (KBL)	Loan and Advances	Ratio
2005/06	13158	10769896	0.12
2006/07	14932	15962584	0.09
2007/08	16870	21968236	0.08
2008/09	25421	32248164	0.08
2009/10	44354	35318258	0.12
		<b>Average</b>	<b>0.10</b>
		<b>SD</b>	<b>0.02</b>
		<b>C.V.</b>	<b>20.61%</b>

(Source: - Appendix 5)

**Figure 4.11**

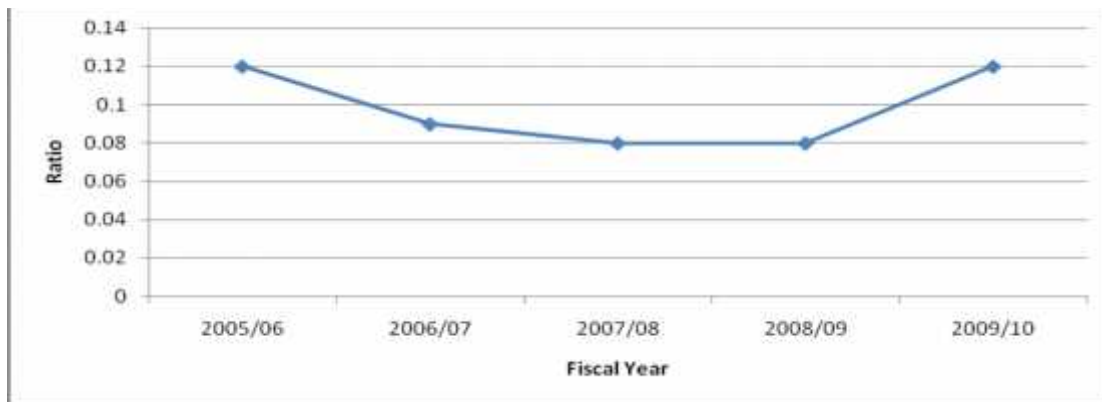
**Loan and Advances to Remittance Ratio**



(Source: - Table 4.11)

The table 4.5 shows the loans and advances to remittance ratio. The lowest ratio of KBL is 0.08% in the fiscal year 2007/08 and 2008/09 and the highest ratio is 0.12% in the year 2009/10 and 2005/06 and the average ratio is 0.10%. More loan and advances indicates more profits. So, bank should mobilize more remittances and deposits into loan and advances. As per KBL, it has greater investment in loan and advances. According to co-efficient of variation, KBL has high C.V. i.e. 20.61% which indicates high variation in the ratio.

**Figure 4.11 A**  
**Loan and Advances to Remittance Ratio**



The above figure 4.4 shows the moving trend of the ratios of KBL from the fiscal year 2005/06 to 2009/10. From the above figure, it is clearly seen that the ratios are in decreasing trend from the fiscal year 2005/06 to 2008/09 and from then there has been increment in the ratio to the last fiscal year 2009/10 of the study period.

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

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

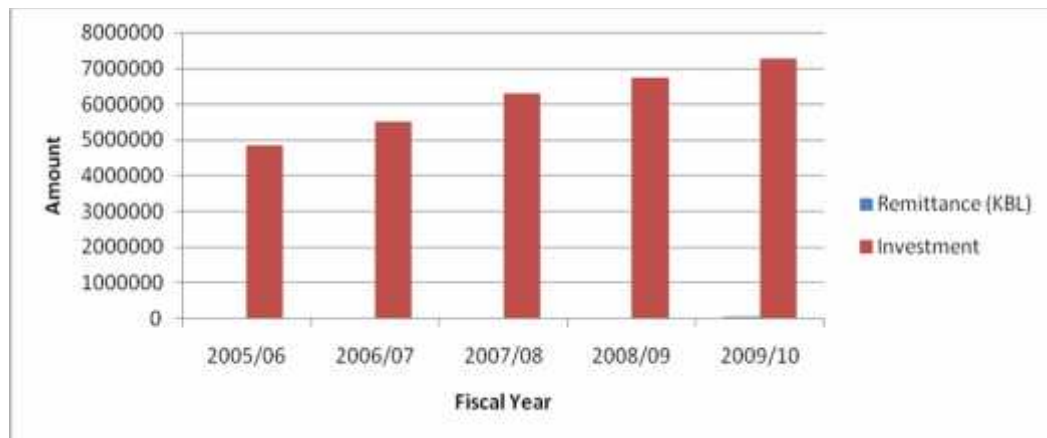
**Table 4.12**  
**Remittance by Investment Ratio (in percentage)**

(Rs. in '000)

F.Y	KBL		
	Remittance (KBL)	Investment	Ratio
2005/06	13158	4826952	0.27
2006/07	14932	5516979	0.27
2007/08	16870	6276931	0.26
2008/09	25421	6739638	0.38
2009/10	44354	7268314	0.61
		<b>Average</b>	<b>0.36</b>
		<b>SD</b>	<b>0.15</b>
		<b>C.V.</b>	<b>41.46%</b>

(Source: - Appendix 6)

**Figure 4.12**  
**Remittance by Investment Ratio**

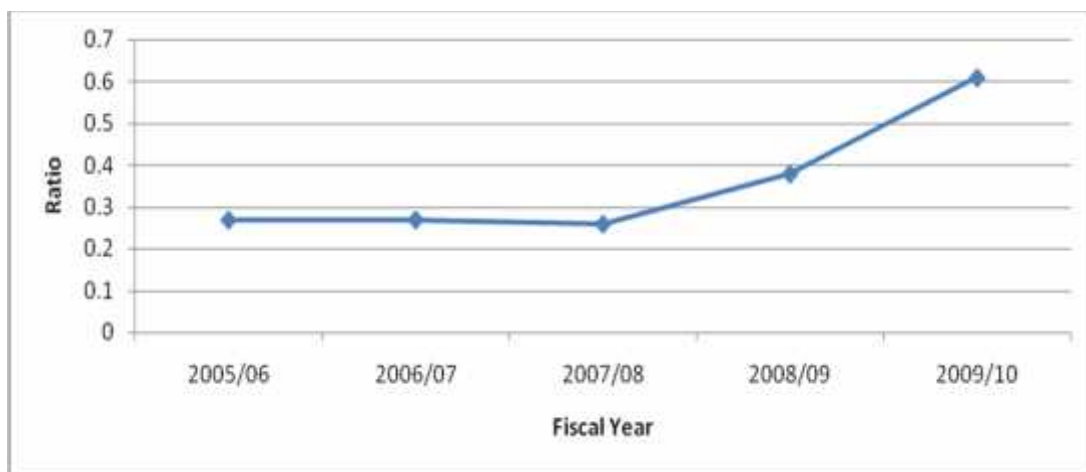


(Source: - Table 4.12)

This ratio is employed to which banks mobilized the remittance money on investment properly. This table has shown that, KBL ratios are in increasing

trend when we compare first and last fiscal year except in the fiscal year 2007/08 there has been decrement in the ratio. The policy of investment by remittance ratio is better financing policy of a bank. In KBL the lowest ratio is 0.26% in the fiscal year 2007/08 and the highest ratio is 0.61% in the fiscal year 2009/10 and the average ratio is 0.36%. It indicates that 0.36% of total deposit is utilized as investment of Kumari Bank.

**Figure 4.12 A**  
**Remittance by Investment Ratio**



The above figure 4.8 shows the moving trend of the ratios of KBL from the fiscal year 2005/06 to 2009/10. From the above figure, it is clearly seen that the ratios are in increasing trend from the fiscal year 2005/06 to 2009/10 except in the fiscal year 2007/08 where there has been decrement in the ratio of the study period.

**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)**

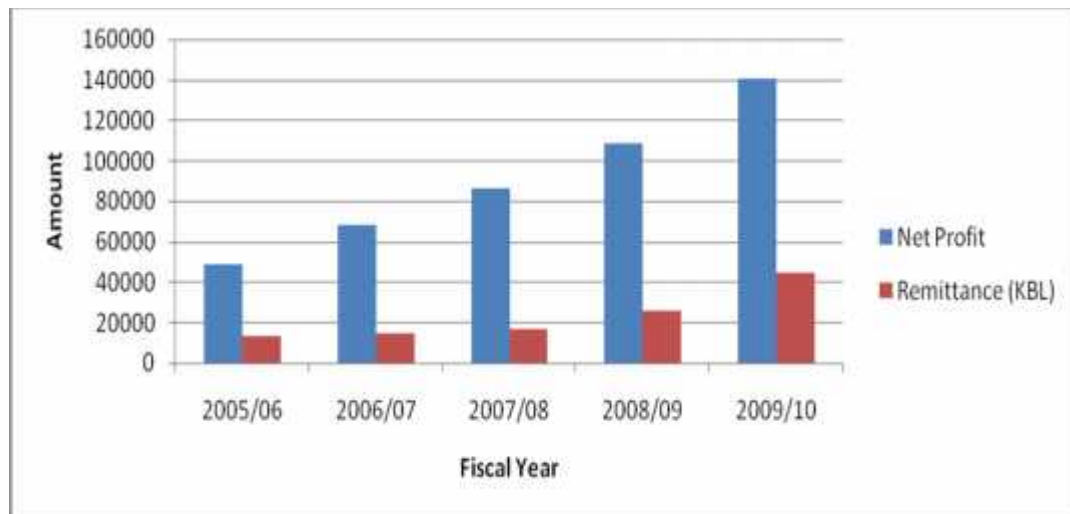
(Rs. in '000)

F.Y	KBL		
	Net Profit	Remittance (KBL)	Ratio
2005/06	48638	13158	3.69
2006/07	68297	14932	4.57
2007/08	86134	16870	5.10
2008/09	108262	25421	4.25
2009/10	140463	44354	3.17
		<b>Average</b>	<b>4.16</b>
		<b>SD</b>	<b>0.75</b>
		<b>C.V.</b>	<b>18.07 %</b>

(Source: - Appendix 7)

**Figure 4.13**

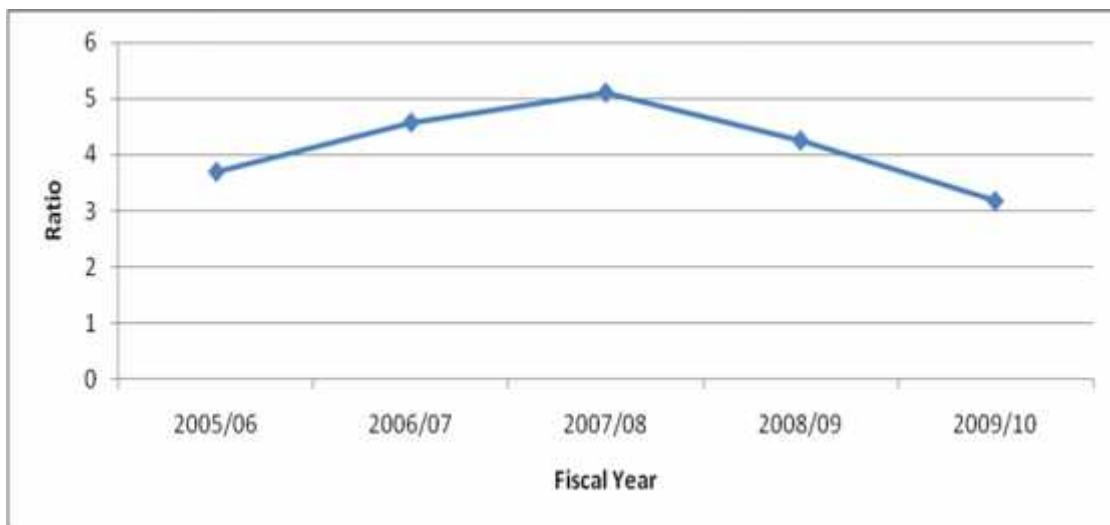
**Net Profit to Remittance Ratio**



(Source: - Table 4.13)

The table shows the ratio of NP to remittance. In KBL, the ratios are in increasing trend and then decreasing trend. In KBL, the ratios ranges from 3.17% (2009/10) to 5.10% (2007/08) and the average is of 4.16%. The ratio shows that on average 4.16% of net profit is generated from remittance. Higher the ratio indicates higher the profit in terms of total remittance received by KBL. The standard deviation of KBL is 0.75 and C.V. is 18.07% which indicates less risky and high variation.

**Figure 4.13 A**  
**Net Profit to Remittance Ratio**



The above figure 4.11 shows the moving trend of the ratios of KBL from the fiscal year 2005/06 to 2009/10. From the above figure, it is clearly seen that the ratios are in increasing trend till year 2007/08 and then from there has been decrement in the ratio to the last fiscal year 2009/10 of the study period.

#### **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**

Bank	Fiscal Year					Growth %
	2005/06	2006/07	2007/08	2008/09	2009/10	
	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 KBL

**Table 4.15**  
**Growth ratio of remittance received by KBL**

Bank	Fiscal Year					Growth %
	2005/06	2006/07	2007/08	2008/09	2009/10	
KBL	13158	14932	16870	25421	44354	35.49

(Source: - Appendix 9)

The table 4.21 shows that the growth ratio of remittance received by KBL is 35.49%. The remittance received by KBL growth ratio is increasing every year. It shows that the performance of KBL in receiving and collecting remittance is better in comparison to previous years. The trend of receiving remittance of KBL is in increasing trend.

### 4.8.3 Growth Ratio of Commission received by KBL

**Table 4.16**  
**Growth ratio of Commission received by KBL**

Bank	Fiscal Year					Growth %
	2005/06	2006/07	2007/08	2008/09	2009/10	
KBL	39.49	46.58	69.34	109.13	269.37	61.60

(Source: - Appendix 10)

The table 4.22 shows that the growth ratio of commission received by KBL which is 61.60%. KBL have very distinct growth ratio as comparing to previous years which shows that KBL is increasing in commission received by KBL on remittances. The trend of investment of KBL 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 KBL. 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 KBL

Remittance received by Nepal and Remittance received by KBL are very important factor for analyzing how much KBL 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 KBL must be optimum to gain profit. In this analysis, total remittance is independent variable (X) and remittance received by KBL is dependent variable (Y).

**Table 4.17**

**Correlation coefficient between total remittances and remittance received by KBL**

Name	r	r <sup>2</sup>	PE	6 X PE	Sig. / Insig.
KBL	0.8687	0.7546	0.0740	0.4441	Sig.

(Source: - Appendix 11)

From, the table 4.24 we can find that the correlation coefficient between total remittance and remittance received by KBL is 0.8687. This shows the positive relationship between these two variables i.e. total remittance and remittance received by KBL.

By considering coefficient of determination ( $r^2$ ), the value of  $r^2$  is 0.8687. The value of  $r^2$  of KBL is 0.7546, which means 75.46% of remittance received by KBL is determined by total remittance and 24.54% of remittance received by KBL depends upon other variables. Above figure indicate that there is significant relationship between remittance received by KBL and total remittance.

#### **4.9.2 Correlation Coefficient between Commission received by KBL and total remittance received by KBL**

Correlation coefficient between commission received by KBL and remittance received by KBL 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 KBL and total remittance received by KBL**

<b>Name</b>	<b>r</b>	<b>r<sup>2</sup></b>	<b>PE</b>	<b>6 X PE</b>	<b>Sig. / Insig.</b>
KBL	-0.3032	0.0919	0.2739	1.6434	Insig.

(Source: -Appendix 12)

From the table shows that correlation coefficient between commission received by KBL and total remittance received by KBL is -0.3032. It shows the negative correlation coefficient between these two variables. The value of coefficient of determination ( $r^2$ ) is 0.0919 of KBL which means 9.19% of investment decision depend upon total remittance received by KBL and 90.81% remittance decision depend upon other variables. Similarly, probable error is 0.2739 and 6 X PE is 1.6434 which shows that the relationship between commission received by KBL and total remittance received by KBL is insignificant.

#### **4.10 Trend Analysis**

Trend Analysis has been a very useful and commonly applied statistical tool to forecast the future events in quantitative terms. On the basis of tendencies in the dependent variables in the past periods, the future trend is forecasted. This analysis takes the historical data as the basis of forecasting. This method of forecasting the future trend is based on the assumptions that the past tendencies

of the variables are repeated in the future of the past events affects the future events significantly.

*The future trend is forecasted by using the following formula: -*

$$Y = a + bx$$

*Where,*

Y = The dependent variable

a = The origin i.e. arithmetic mean.

b = The slope coefficient i.e. rate of change

X = The independent variable

#### **4.10.1 Trend Analysis of Total Remittance received by Nepal**

This includes remittance collected by Nepal from all over the world. People working outside Nepal send money to Nepal. So, Total remittance includes all the money received in Nepal.

Under this topic an effort has been made to calculate the trend values to total remittance of Nepal for 5 years and forecast for next 5 years till 2014/15.

**Table 4.19**

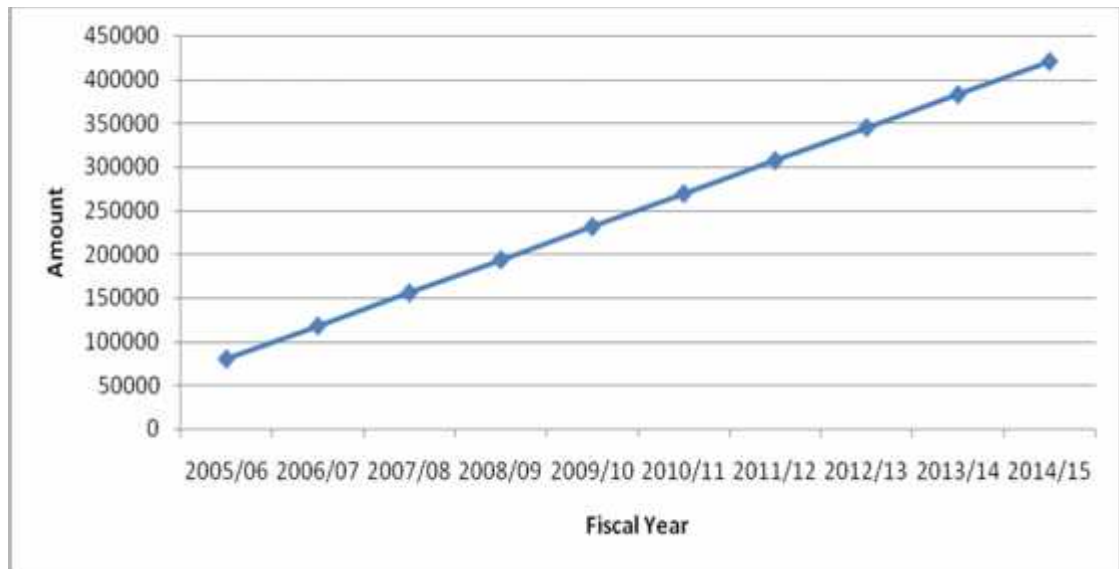
#### **Trend analysis of total remittance received in Nepal**

Name	2005/06	2006/07	2007/08	2008/09	2009/10
T. Remit	80862.50	118625.23	156387.96	194150.69	231913.42

Name	2010/11	2011/12	2012/13	2013/14	2014/15
T. Remit	269676.15	307438.88	345201.61	382964.34	420727.07

(Source: - Appendix 13)

**Figure 4.14**  
**Graph of total remittance received in Nepal**



The table has given the trend values of KBL. The trend of total remittance received by Nepal is in increasing trend. The other things remaining the same, the remittance received by Nepal will be accumulating a total remittance amount of Rs. 420.72 millions in 2014/15.

#### **4.10.2 Trend Analysis of Remittance received by KBL**

Remittance received by KBL includes, remittances received from different counties. Under this topic, an effort has been made to calculate the trend values of remittance received by KBL for 5 Years and forecast for next 5 years till 2014/15.

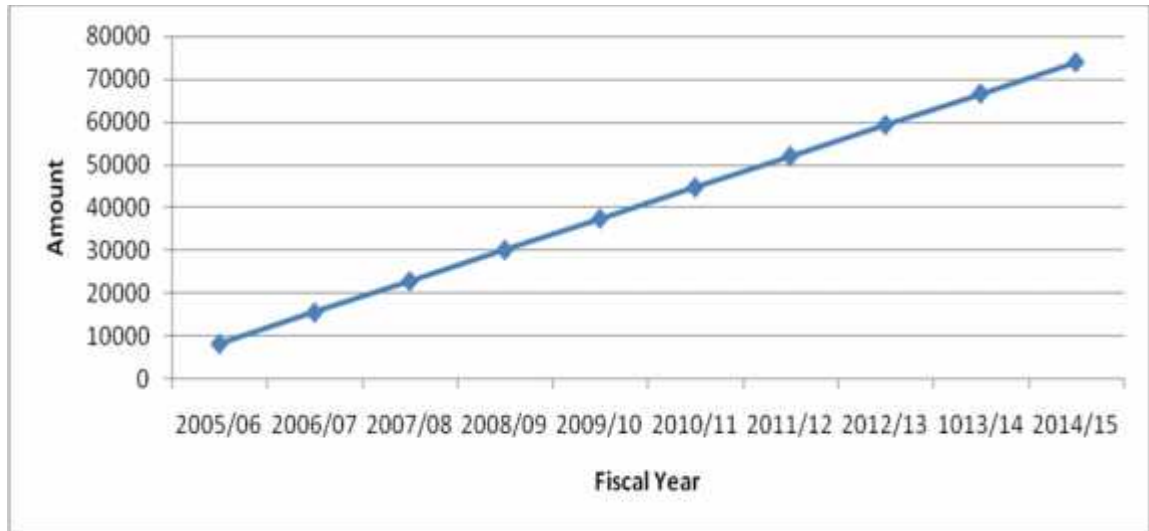
**Table 4.20**  
**Trend analysis of Remittance by KBL**

Name	2005/06	2006/07	2007/08	2008/09	2009/10
KBL	8370.8	15658.9	22947.0	30235.1	37523.2

Name	2010/11	2011/12	2012/13	2013/14	2014/15
KBL	44811.3	52099.4	59387.5	66675.6	73963.7

*Source: -Appendix 14*

**Figure 4.15**  
**Graph of Remittance by KBL**



The graph above clearly shows that the remittance received by KBL is increasing regularly. Other things remain constant, KBL will extent total remittance of Rs. 73.96 million in 2014/15 which is the highest amount during period of the study.

#### **4.10.3 Trend Analysis of Commission received by KBL on Remittance**

Commission includes all the money which is made payment to the party on remittance and in return bank charges certain commission during this transaction. Under this topic, an effort has been made to calculate the trend

values of commission received by KBL on Remittance of KBL for 5 years till 2014/15.

**Table 4.21**

**Trend analysis of Commission received on remittance by KBL**

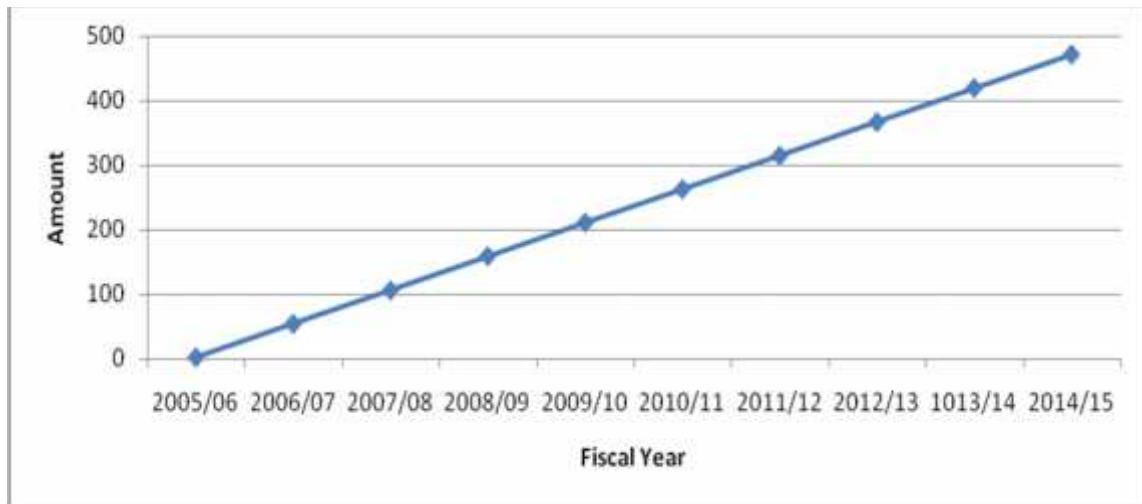
Name	2005/06	2006/07	2007/08	2008/09	2009/10
KBL	2.32	54.55	106.78	159.01	211.24

Name	2010/11	2011/12	2012/13	2013/14	2014/15
KBL	263.47	315.70	367.93	420.16	472.39

(Source: -Appendix 15)

**Figure 4.16**

**Graph of Commission received on remittance by KBL**



The chart, give the trend values of KBL. It is clear that commission received by KBL is in increasing trend. KBL will be accumulated total commission from remittance of Rs. 4.72 million at the end of the year 2014/15.

## **4.11 Major Findings of the Study**

### **1) Financial Analysis**

- ) The total remittance received in Nepal is increasing every year. The highest remittance received is in the year 2009/10 which is Rs. 231725.3 thousands and lowest remittance received is in the year 2000/01 which is Rs. 47216.1 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.
- ) KBL collects remittance from various countries. We can see that the highest remittance received is in the year 2009/10 which is Rs. 4462.30 thousands and lowest remittance received is in the year 2000/01 which is Rs. 731.39 thousands. This shows that every year remittance receiving by KBL 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 KBL 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 KBL 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 2009/10 where there is 6305 transaction and lowest is in the fiscal year 2005/06 where there is 1931 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 2009/10 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 KBL, the highest remittance received is in the fiscal year 2009/10 where it is Rs. 1837.44 million and lowest is Rs. 539.27 millions in fiscal year 2005/06. The highest percentage of remittance received is in year 2007/08 and 2008/09 where there is 41.00% and lowest percentage of remittance received is in year 2005/06 where there is 36.00%. 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 Qatar, Dubai, Saudi and other part of the world. The amount is calculated in percentage due to insufficient data received from the remittance department of KBL. For comparison between the countries, we have taken an average ratio. The highest average ratio is Qatar where there is 33% and the lowest ratio is Saudi where there is 18%. In 2009/10, Qatar has the highest remittance sender from where there is 35% in comparison and lowest is other part of the world where its value is

10% each. These countries are the third countries from where remittance money is getting highly after India.

- ) In term of remittance received by KBL to total remittance received by Nepal, and the ratios are in increasing trend. The average is of 14.29%, it shows that on average 14.29% of total remittance is received by KBL bank.
- ) In terms of commission on remittance to remittance by KBL, the ratios are in increasing trend. In KBL, the ratios ranges from 0.30% (2005/06) to 0.61% (2009/10) and the average is of 0.41%. The ratio shows that on average 0.41% of commission is generated from total remittance received by KBL. Higher the ratio indicates higher the commission in terms of total remittance received by KBL. The standard deviation of KBL is 0.12 and C.V. is 30.48% which indicates less risky and high variation.
- ) In term of cash and bank balance to the remittance received by KBL, the highest ratio is in the year 2009/10 which is of 1.15 and lowest is in the year 2007/08 which is 0.59. The average ratio of remittance to Cash and Bank Balance is 0.75. Holding of more cash and bank balance mean keeping the assets idle. So, from the above analysis, KBL 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 KBL, the highest ratio is in the year 2009/10 which is of 0.09 and lowest is in the year 2007/08 which is 0.05. The average ratio of remittance to Total Deposit is 0.07. KBL'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. KBL.
- ) In terms of loans and advances to remittance ratio, the lowest ratio of KBL is 0.08% in the fiscal year 2007/08 and 2008/09 and the highest ratio

is 0.12% in the year 2009/10 and 2005/06 and the average ratio is 0.10%. 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, KBL 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 KBL the lowest ratio is 0.26% in the fiscal year 2007/08 and the highest ratio is 0.61% in the fiscal year 2009/10 and the average ratio is 0.36%. It indicates that 0.36% of total remittance received by KBL is utilized as investment of Kumari Bank.
- ) In terms of Net profit to remittance, in KBL, the ratios are in increasing trend and then decreasing trend. In KBL, the ratios ranges from 3.17% (2009/10) to 5.10% (2007/08) and the average is of 4.16%. The ratio shows that on average 4.16% of net profit is generated from remittance. Higher the ratio indicates higher the profit in terms of total remittance received by KBL. The standard deviation of KBL is 0.75 and C.V. is 18.07% which indicates less risky and quiet high variation.

## **2) Statistical Analysis**

### **1. Growth Ratio**

- ) Growth ratio of remittance received by 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 KBL is 35.49%. It shows that the performance of KBL is better and the remittance receiving by KBL is increasing at 56.31% every year.
- ) Growth ratio of commission received by KBL is 61.60%. The total commission receiving by KBL on remittance is also increasing every year which means that KBL are earning good commission every coming year.

## **2. Correlation Coefficient**

- ) Correlation coefficient between remittance received in Nepal and Remittance received by KBL is highly positive correlated which indicate that increase in remittance by KBL as increase in remittance received in Nepal. This study also suggests that independent variable that is remittance received by KBL is highly dependent to the remittance received by Nepal. The value of correlation is greater than the six times to PE of KBL. Therefore there are significant relationship between remittance received in Nepal and remittance received by KBL.
- ) Correlation Coefficient between commission received by KBL and total remittance received by KBL is found negative, so it is not directly related to the remittance received by KBL. KBL coefficient of determination is lower than the value of six times of PE. It indicates that there is no significant relationship between commissions received by KBL to total remittance received by KBL.

## **3. Trend Analysis**

- ) The total remittance received by Nepal is in increasing trend. Nepal will be accumulated a total remittance of Rs. 420.727.07 million in 2014/15.
- ) The total remittance received by KBL is also in increasing trend. Other things remain constant, KBL will extent total remittance of Rs. 73.96 million in 2014/15 which is the highest amount during period of the study.
- ) It is clearly seen that commission received by KBL is in increasing trend. KBL will be accumulated total commission from remittance of Rs. 472.39 thousands at the end of the year 2014/15.

## **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. Nowadays, 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.

Migration is becoming a focus of interest for good reason for many developing countries, remittance have become a critical form of financing their Balance of payment. Worker Remittance and donations made by migrant associations constitute key building blocks of economic growth and subsistence in many countries. International migration is increasingly influencing the global economy. One of major cause for international migration is foreign employment. Foreign employment and remittance are two interlinked variables. It has micro and macro effect on the nation economy. It has in one hand helped on overcoming the growing unemployment problem and on other hand contributed in strengthening the Balance

of Payment.

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.

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. Ongoing conflict and the loss of employment opportunity are found a major reason to the increment of international labour migration. Volume of migrant workers has been increased after the origination of armed conflict in Nepal. Because of the close relation (socio-cultural, economic, geographical, free entry and exit border etc) with India, it was common to go in search of job and work in India by the Nepalese workers from the ancient past. The Nepalese have served and continuing to serve in India and the other countries in the armed forces. Thus, the inflow of the worker's remittances is a historical phenomenon to Nepal. However, its volume was small in those days. As the developing as well a developed nations encouraged to import the labor service, especially the Gulf countries, Malaysia ,South Korea etc, the inflow of workers' remittances got a sharp rise and now it has become a major source of foreign exchange earning of the country. The choice of destination country depends on socio economic status of the person. Major concentration of Nepali labour migrants is bound in Qatar, Saudi

Arab, UAE and Malaysia. There is no significant number of labour migrants in other countries. Main reason for opting to gulf countries might be the prohibitive cost and less educated and confidence.

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.

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. And Procedures involved on remittance transfer are capturing, disbursement, messaging, settlement and liquidity provision. Sender pays capturing agent using any means of payment with sufficient information to identify the receiver, then disbursing agent will pay to the receiver as Information provided by sender in cash or other means as on capturing. In messaging stage, the information from capturing agent to disbursing agent is provided. Then, settlement is done normally by means of credit transfer from the payer to the payee's bank with one of the payment being cross border. Some time payment should be made before the fund are received so there need liquidity, which incurs cost. The increased speed achieved by providing liquidity is therefore likely

to increase the overall price of the service.

Remittance is emerging concept in Internal economy, yet new and prevails problems. Major problem of the remittance is the market of remittance like lack of transparency in market, weakness in Infrastructure for transfer, possibility of adverse effects from poor and weak legal framework, Lack of competitive market and different risk involved in it like financial, legal, fraud, etc. because of above problem. Another main problem of remittance is ghost town phenomenon i.e. economy highly dependent on remittance, if the inflow stops or decrease whole economy may collapse. Remittances are usually transferred through informal channel which exist risk. Those transferred remittance are not being utilized on productive sector.

At the micro level, remittances boost up the income level and reduce the poverty of the recipient's. At an individual level, the contribution of remittances is for the welfare and improvement of livelihood of the receiving household, in terms of to fulfill the basic necessities such as food and clothing or better education and health of children. However, the money spent on better education and health for children are believed to have a favorable effort on growth, which tends to help in output production. Rural household tend to consume more domestically produced goods and hence generate larger multiplier effect than urban counterparts. At the macro level, the remittances provide significant sources of foreign currency and contribute to the BOP. The use of remittances for flourishing financial imports helps to increase national income. Remittance also 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 employment opportunities.

Chapter 1 deals with the general introduction of the bank with its background. The remittance background has been described in this chapter. The introduction of

Kumari bank, the objectives of the study, significance of the study, problems of the study, importance of the study, limitations of the study and organization of the study have been simultaneously figured out. The brief introduction of remittance and commercial bank has been illustrated in this chapter.

Chapter 2 deals with the review of the topic. How the other person has briefed regarding the remittance. What are the ways and methods they have used to enhance the importance of the remittance role in Nepal has been showed in this chapter. In this chapter, the methods, modes, different ways to send remittances and the parties involved in the process have been described thoroughly so that people could easily understanding regarding the remittance. The scopes of Nepal's Banking Industry have been point out in this chapter. What are the regulations of Nepal Rastra Bank has been specified in this chapter. This chapter has mentioned the previous studies in the sample topic and the difference/ gap between the previous studies and the study made by the researcher. The sectors that were not touched by previous researchers were analyzed and used in this study.

Chapter 3 deals with the methods and ways of collecting the data of the remittance. The ways of collecting the primary and secondary data has been explained in this chapter. What kind of data is used in this study has been mentioned in this chapter. The ways and techniques to present the data has been researched and used in this chapter. The ways and techniques to present the data has been researched and used in this thesis. The tools has been described which has been used in the analysis process. All the methods of collecting the data and used for the analysis process. All the methods of collecting the data and used for the analysis process. All the methods of collecting the data and used for the analysis process. All the methods of collecting the data and used for the analysis has been figured out in the study.

Chapter 4 deals with the detail information on the remittance in Nepal after analyzing the data which was captured from the different sources by using the different types of methods. For easy purpose and clear view, some of the analysis has been illustrated and explained through the tables and diagrams. The growths and contribution of remittance to the total economy of the country has been properly explained in this chapter. The total remittance received in Nepal and how much from it did the KBL received as a remittance from different countries, commission received by the KBL, the proportion of remittance received by different parts of the country. Moreover, financial analysis has also been done such as remittance received by KBL to the total remittance received by Nepal, remittance is compared with commission received by KBL, its total deposits, loan and advances, cash and bank balance, investments, net profits, etc. Similarly, growth ratio, trend analysis is also done to see the growth ratio in the future i.e. coming fiscal year 2014/15 from which we can predict future and do much better. Moreover, Statistical tools are also used such as mean, standard deviation, C.V., Correlation coefficient are also calculated to see the variation and correlation in the ratios.

Chapter 5 deals the summary, conclusion and recommendations of the study or thesis. In summary, mainly the description of the remittance is mentioned and how the thesis work is carried out are described in brief. Similarly, conclusion includes the major findings of the study which are taken from the fourth chapter. A recommendation includes valuable suggestions and guidelines which will be beneficial for the banks and the new researchers.

## **5.2 Conclusion**

Establishment of commercial banks especially joint venture banks have continued in response to the economic liberalization policies of the government. So, now in Nepal there are thirty one commercial banks competing with each

other in their business. These joint venture banks are mainly concentrated themselves on financing foreign trade, commerce and industry. This study has been mentioned already that the research concentrates only on the remittance business of remittance business of Nepal Investment Bank.

Out of the 31 commercial banks the researchers has chosen only one commercial bank i.e. Kumari bank to evaluate its remittance business. The researcher has evaluated data for the least 5 years period i.e. 2005/06 to 2009/10.

The researcher has analyzed the data by using financial tools like ratio analysis as well as statistical tools like mean, s.d., trend analysis etc.

- ) The total remittance received in Nepal is increasing every year. The highest remittance received is in the year 2009/10 which is Rs. 231725.3 thousands and lowest remittance received is in the year 2000/01 which is Rs. 47216.1 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.
- ) KBL collects remittance from various countries. We can see that the highest remittance received is in the year 2009/10 which is Rs. 4462.30 thousands and lowest remittance received is in the year 2000/01 which is Rs. 731.39 thousands. This shows that every year remittance receiving by KBL 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 KBL 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.

- J The comparison between the total remittance received by KBL 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 2009/10 where there is 6305 transaction and lowest is in the fiscal year 2005/06 where there is 1931 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.
- J 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 2009/10 while the contribution of remittance from India stood at 2.8% majority of remittance from India are through Informal Channel.
- J While comparing the remittances received from India and the total remittance received by KBL, the highest remittance received is in the fiscal year 2009/10 where it is Rs. 1837.44 million and lowest is Rs. 539.27 millions in fiscal year 2005/06. The highest percentage of remittance received is in year 2007/08 and 2008/09 where there is 41.00% and lowest percentage of remittance received is in year 2005/06 where there is 36.00%. 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 Qatar, Dubai, Saudi and other part of the world. The amount is calculated in percentage due to insufficient data received from the remittance department of KBL. For comparison between the countries, we have taken an average ratio. The highest average ratio is Qatar where there is 33% and the lowest ratio is Saudi where there is 18%. In 2009/10, Qatar has the highest remittance sender from where there is 35% in comparison and lowest is other part of the world where its value is 10% each. These countries are the third countries from where remittance money is getting highly after India.
- ) In term of remittance received by KBL to total remittance received by Nepal, and the ratios are in increasing trend. The average is of 14.29%, it shows that on average 14.29% of total remittance is received by KBL bank.
- ) In terms of commission on remittance to remittance by KBL, the ratios are in increasing trend. In KBL, the ratios ranges from 0.30% (2005/06) to 0.61% (2009/10) and the average is of 0.41%. The ratio shows that on average 0.41% of commission is generated from total remittance received by KBL. Higher the ratio indicates higher the commission in terms of total remittance received by KBL. The standard deviation of KBL is 0.12 and C.V. is 30.48% which indicates less risky and high variation.
- ) In term of cash and bank balance to the remittance received by KBL, the highest ratio is in the year 2009/10 which is of 1.15 and lowest is in the year 2007/08 which is 0.59. The average ratio of remittance to Cash and Bank Balance is 0.75. Holding of more cash and bank balance mean keeping the assets idle. So, from the above analysis, KBL 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 KBL, the highest ratio is in the year 2009/10 which is of 0.09 and lowest is in the year 2007/08 which is 0.05. The average ratio of remittance to Total Deposit is 0.07. KBL'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. KBL.
- ) In terms of loans and advances to remittance ratio, the lowest ratio of KBL is 0.08% in the fiscal year 2007/08 and 2008/09 and the highest ratio is 0.12% in the year 2009/10 and 2005/06 and the average ratio is 0.10%. 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, KBL 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 KBL the lowest ratio is 0.26% in the fiscal year 2007/08 and the highest ratio is 0.61% in the fiscal year 2009/10 and the average ratio is 0.36%. It indicates that 0.36% of total remittance received by KBL is utilized as investment of Kumari Bank.
- ) In terms of Net profit to remittance, in KBL, the ratios are in increasing trend and then decreasing trend. In KBL, the ratios ranges from 3.17% (2009/10) to 5.10% (2007/08) and the average is of 4.16%. The ratio shows that on average 4.16% of net profit is generated from remittance. Higher the ratio indicates higher the profit in terms of total remittance received by KBL. The standard deviation of KBL is 0.75 and C.V. is 18.07% which indicates less risky and quiet high variation.
- ) Growth ratio of remittance received by 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.

- J Growth ratio of remittance received by KBL is 35.49%. It shows that the performance of KBL is better and the remittance receiving by KBL is increasing at 56.31% every year.
- J Growth ratio of commission received by KBL is 61.60%. The total commission receiving by KBL on remittance is also increasing every year which means that KBL are earning good commission every coming year.
- J Correlation coefficient between remittance received in Nepal and Remittance received by KBL is highly positive correlated which indicate that increase in remittance by KBL as increase in remittance received in Nepal. This study also suggests that independent variable that is remittance received by KBL is highly dependent to the remittance received by Nepal. The value of correlation is greater than the six times to PE of KBL. Therefore there are significant relationship between remittance received in Nepal and remittance received by KBL.
- J Correlation Coefficient between commission received by KBL and total remittance received by KBL is found negative, so it is not directly related to the remittance received by KBL. KBL coefficient of determination is lower than the value of six times of PE. It indicates that there is no significant relationship between commissions received by KBL to total remittance received by KBL.
- J The total remittance received by Nepal is in increasing trend. Nepal will be accumulated a total remittance of Rs. 420.727.07 million in 2014/15.
- J The total remittance received by KBL is also in increasing trend. Other things remain constant, KBL will extent total remittance of Rs. 73.96 million in 2014/15 which is the highest amount during period of the study.

) It is clearly seen that commission received by KBL is in increasing trend. KBL will be accumulated total commission from remittance of Rs. 472.39 thousands at the end of the year 2014/15.

Globalization, pull factor and push factor in the economy are the main reason for the migration. In context of Nepal also, as migration a natural phenomenon of globalization era, many people are migrating. Both the developed as well as developing economies have much to gain from an increased flow of worker. In the 1990s increased globalization has effectively opened up new labour employment opportunities in newly industrialized countries, like Malaysia, Taiwan, and South Korea in Southeast Asia, and in the Gulf states in the Middle East, for men and women from South Asia, including Nepal. Even in developed countries, like Japan, the UK, Europe, and the USA, new opportunities for labor migrants have emerged, because of cheap labour. Numbers of people going abroad for work have been increased for the last few years, especially the origination of armed conflict in Nepal. Unexpectedly the foreign labour migration has developed in such a way, which has shifted the agricultural based economy towards remittance based economy. Choice of destinations is depended on socio- economical status. It is studied that rich people migrate towards Japan, South Korea, America and Europe whereas poor people to India, Gulf States and Malaysia. Major concentration of Nepali migrant workers was in Gulf States for the very beginning but the dynamics has been changed and people are migrating towards Malaysia since the past three years even though the number of people going the Gulf States is still significant. Because of the lack of opportunities and the less benefit, many people of developing countries are migrating to the developed countries and this rate has been increasing year by year. With the increase in the number of workers, the inflow of remittances has also taken an upswing. It's not only helping developing countries fight with unemployment problem but also contributing a lot by earning foreign currency and many other more as well.

Foreign employment helps to divert large amount of remittance into national economy. Migration, foreign employment and Remittance come side by side. These factors have multiplier effect on the economy. Also, because of the policy steps taken for enhancing the inflow of remittances to the country through the official mechanism the share of remittances coming through official channel has gone up. Remittance is playing vital role in economy. It has become an important source of external source. Undoubtedly, the remittance has provided greater cushion and financial strengths to its recipient, but very few have been able to utilize it rationally i.e. investing it in a more productive sectors. So, government should pay more attention in developing appropriate strategies about remittance to boost economic development. It has been acting as very important source of financing for developing countries.

Remittance has also its pros and cons. Its one of major con is many skilled, talented and energetic people of the country have been migrated and hardly have they returned to their motherland. This has effected on development of the country. Remittances have positive impact on national economy as well as household economic conduction but this is not satisfactory. Maximum parts of the remittances have been used in household expenses like loan repayment, house maintenance and social spending. The government is still unable to execute any strong plan for proper utilization of unemployed skilled manpower. Rather they are tussling for the position of government.

Likewise, the study also reveals that bringing more remittance money through formal channels is critical. So the current need is for more effective migration management to reduce the vulnerabilities of migrant workers and safeguard the rights of migrant workers. Furthermore, we can conclude that foreign employment and remittances is one important component of national economy. It plays a vital role in the development of the country by helping to increase or uplift the economy of the nation. Many people's living standard has been increased through

remittance. Remittance income in developing countries has become a lifeline for economic development. Remittances are especially important for low- income countries or developing countries like Nepal. It helps to boost the economy of the nation. Moreover, it has to some degree have been quite successful to support the fundamental building blocks towards sustainable economic development. They have played an important role in current account dynamics by offsetting high trade account deficits and volatility. The development potential of remittances can obviously be improved by increasing the total flow of remittances.

In conclusion, remittance is a very important for a developing country like Nepal and Kumari bank has played a vital role for flourishing remittance in Nepal.

### **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.
- ) Kumari bank 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, KBL should also focus on other part of the world.
- ) KBL is collecting good remittances and the remittances are also increasing every year, but while comparing to total remittance it is very low. So, KBL should focus more on remittances.
- ) The comparison between the total remittance received by KBL 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, KBL should increase number of remittances.
- ) KBL has greater proportion of remittance receiving from India other than other country, so KBL should focus on other country also.
- ) As, remittance plays an important role for maintain good liquidity, so KBL should increase to get more cash and bank balance.
- ) Remittance also increase cash deposit of bank, so higher remittance increase higher deposit. So, KBL should focus on remittance for getting higher deposits.
- ) Remittance money can also be invested in loan and advances and investment. So, if KBL 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, KBL profit while comparing with remittance income only few amount is seen. So, KBL 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

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