

**A STUDY ON
REMMITANCE IN NEPAL**

A Thesis

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*in partial fulfilment of the requirements for the degree of
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RECOMMENDATION

This is to certify that the thesis

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I hereby declare that the work reported in this thesis entitled “**Remittance in Nepal**” submitted to Kabhre Multiple Campus, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfilment of the requirement for the Master’s Degree in Business Studies (MBS) under the supervision of Mr. Achutam Thapa and Mr. Kishor Hakuduwal, Kabhre Multiple Campus.

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;LIST OF ABBREVIATION

IME	:	International Money Exchange
WUMT	:	Western Union Money Transfer
FDI	:	Foreign Direct Investment
CG	:	Chaudhary Group
NRB	:	Nepal Rastra Bank
Bene	:	Beneficiary
WB	:	World Bank
SCB	:	Standard Chartered Bank
Amex	:	American Express Bank
NY	:	New York
FCY	:	Foreign Currency
DD	:	Demand Draft
SAARC	:	South Asian Association of Regional Cooperation
SWIFT	:	Society for Worldwide Interbank Financial Telecommunication
MT 103	:	Message Type 103 (Used mainly for remittance)
USA	:	United States of America
USD	:	United States Dollar
KYC	:	know Your Customer
E.g.	:	Example
Forex	:	Foreign Exchange
Depn	:	Depreciation
BOP	:	Balance of Payment
IFAD	:	International Fund for Agricultural Development
Mio	:	Million
Bio	:	Billion
K Mio	:	Thousand Million
ILO	:	International Labour Organization
ADB	:	Asian Development Bank
NR	:	Nepalese Rupees
IMF	:	International Monetary Fund
ADB	:	Asian Development Bank

CHAPTER I

INTRODUCTION

This chapter is penned on introductory phenomenon of the study in a lucid manner and easy to understand language. It highlights the remittance and its impact to society. It also clarifies why the research is brought, what are its limitations, significance and what are its objectives.

1.1 Background of the Study

In development of every nation financial institutions play an important role in accelerating the development of every country. It occupies a vital role in the national, economical and development framework. Due to collection of capitals through savings from citizens, investments in different enterprises mobilize 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.

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

Efficient banking system is absolutely necessary for the country, especially for the underdeveloped and economic challenged countries. In the economic plan, capital occupies a position of strategic importance. No economic development of sizeable magnitude is possible unless there is an adequate degree of capital formation. A very important habit of underdeveloped country is freezing the capital and that will be result of insufficient savings made by the community. In the underdeveloped countries, not only is the capital stock is highly small, but the current rate of capital formation is also very low. This is because of low income source of underdeveloped nation amplified by limited knowledge training and advancement of science and technology.

Besides the target group and target wise objectives of different banks are different. Government owned bank which is spread all over the countries, must be able to operate with good management but in context of Nepal, the management of the government owned bank is formulated using bureaucrats and managerial influence is existed. So, the concept of joint venture commercial banks are growing and applying faster nowadays. The top level management of the banks is hired from the foreign country and the parent company of these banks is internationally famous. So from decision making to every step of work will be in modern scientific thoughts. Hence, government banks and foreign collaborated joint venture banks are operating in some different situation in same industry, which may give different profitability.

Commercial banks are the main supplier of the liquid capital, which is the blood vessel of the commercial and industrial activities. According to history, the overall development of the banking system in Nepal, the 'Tejarath Adda' may be regarded as the father of modern banking institution and for a quite a long time it tendered a good service to government staffs as well as to the general public. Though 'Tejarath Adda' was established for financial purpose, it was not good enough, managed enough. So, the modern banking facilities were felt of an urgent need of the economy. In order to fulfil the demand and need of a modern banking system and remove all the difficulties prevailing during the time, the Nepal Bank Limited was introduced as a first commercial bank.

Termed the "new era of mobility" (United Nations, 2006), the movement of natural persons (MNP) for trading human-services has a significant impact on and contributions to the social wellbeing and economic development of countries of destination as well as countries of origin (SAARC, 2006). In the light of the trade underlying the principle of demand and supply, and needing the movement of natural persons as exports and imports, migration for work is both a boon and a bane. The movement of natural persons for work makes significant contributions to the social wellbeing and economic development of the countries of destination as well as the countries of origin. On the one hand, migrant workers impel the economy of the host country by acting as the basic factor of production, i.e., labour, better termed as human resources. On the other hand, the economic contributions of migrant remittances, as a source of income, are affecting millions of households around the

world to the extent that this income is the only source of families' survival. In this regard, in Asia, which accounts for more than half of the world's migrant workers, remittances have helped address the most basic needs of their families (SAARC, 2006; United Nations, 2006).

In explaining the value of remittances to Nepal, the representative of the Asian Development Bank, Sultan Rahman, H. noted ¹ : "Remittances are one of the great equalisers in otherwise inequitable economies. People who go abroad are randomly and evenly distributed from across the country. (¹Himal South Asian Journal)

The term "remittances" basically refer to the transfers, in cash or in kind, from a migrant to household residents in the country of origin. The IMF considers a wider definition and incorporates three categories, that is, a) workers' remittances or transfers in cash or in kind from migrants to resident households in the country of origin, b) compensation to employees or the wages, salaries and other remuneration, in cash or in kind, paid to individuals who work in a country other than where they legally reside and c) migrant transfers which denote capital transfers of financial assets made by migrants as they move from one country to another and stay for more than one year. As stated in the BOP Manual (5th edition, 1993): "Workers' remittances cover current transfers by migrants who are employed in new economies and considered residents there. (A migrant is a person who comes to an economy and stays, or is expected to stay, for a year or more). Workers' remittances often involve related persons. Persons who work for and stay in new economies for less than a year are considered non-residents; their transactions are appropriate mainly to the component for compensation of employees." The Nepal Rastra Bank (NRB), the country's central banking authority, follows the IMF Manual in recording remittances or migrant transfers in its BOP computation.

The stagnant agricultural economy, lack of new opportunities of employment and most importantly, the "demonstration effect" continue to push Nepalese labourers to India and abroad. But it was only after the restoration of democracy in 1990 the flow of Nepalese workers to the Gulf countries; East and South East Asia witnessed the significant rise. And, the trend continued unabated. Prof. Seddon, D & et. al. has conducted a study entitled "Foreign Labor Migration and Remittance Economy of Nepal" for DFID (Department of International Development of the British

Government). Nearly RS 69 billion was remitted by Nepalese working in foreign countries in 1997. Of this, nearly 40 billion came from an estimated one million Nepalese working in India whereas the rest (nearly Rs. 29 billion) came from Nepali working in other parts of the world (DOL, Government of Nepal, Labour Bulletin).

According to the national census, 1991, the number of Nepalese going abroad rose from around 40000 in the 1980s to a tremendous figure of 660,000 in just 1991. The scenario of then was like the vast majority of Nepalese (81 percent) went to India, due to open border, whereas 11 percent of them went elsewhere. This constituted around 3 percent of Nepal's total population and less than 6 percent of the active labour force (estimated in 1996 at around 11.7 million). It was quite low as compared to other South Asian countries whose figures shows between 10 to 30 percent of labour force in India, Pakistan and Bangladesh working overseas. After the restoration of democracy various amendments and laws have been initiated in the prolific potential growth of Labour Market abroad. A significant increase in the Labour Market and its potential growth has favourable effect in remittance business. The foreign employment and remittance are interrelated with each other. So, while we study about the remittance business in Nepal we must also have knowledge about foreign employment record and its diversification in the different countries. The data depicts that the number of Nepalese going abroad except south Asian countries sums up to 1147089 as provided by Labour Department of Nepal Government. This is only a recorded data as up to 2012 AD. But there are so many people involving in Foreign Employment without the approval of the government and without entering these data in record of concerned departments, which have caused the actual findings complex. The money laundering (*Hundi*) have also made our study complex as there is no possible data to make our study more realistic.

Increase in the foreign employment and increase in the inward remittance are directly proportional. According to Professor Seddon's study, the recorded value of money sent back from abroad more than doubled, from 1974/74 (Rs. 90.7 Million) to 1980/81 (Rs. 216.8 million). Over the next decade the official value of foreign remittances increased three-fold to reach Rs. 676.80 million by 1989/90. By the middle of the 1990s, the value of officially recorded remittances from abroad was around Rs. 2.69 billion. Of this, "Gurkha remittances" accounted for between a quarter and a third. Now the remittance is much higher as there have been lots of

Nepalese workers in abroad especially in Gulf Countries which have some prolific effect in remittance business and Nepalese economy.

With the view to bring in the remittance through proper official channels, Nepalese officials are still working on to set up a foreign employment bank. “The proposed bank will have an inbuilt system to control ‘*hundi*’ transactions. As major shareholder of the proposed bank will be foreign employment agencies themselves, they will try their best to channel the overseas earnings of the Nepalese through the Banks.

Setting up a bank alone will not be sufficient to address the different issued related to the remittance economy. AS the number of people visiting abroad in search of job is likely to continue in a days to come, the volume of remittance entering Nepal is bound to increase. So, the time has come to channelize such income towards productive sectors.

After the restoration of democracy in 1990’s people of Nepal systematically started to go abroad for employment. When the people feel unsafe to settle in Nepal, it helped to flourish for foreign employment. Foreign employment means to bring money from abroad which contributes in development of the country. Nowadays, the economic condition of Nepal is getting worse but somewhere the economy is being endured by remittance. So, the thesis is focused on the remittance business in Nepal.

Remittance companies play an important role in alleviating poverty, maintaining household incomes and expanding trades. The finds exchanged through remittance have multiple effects on the macro-economy. Therefore the way that this business is conducted must change in order to support the present and future development of Nepal. It is in the best interests of remittance companies and the concerned government entities to work together to provide both a design and framework for a more transparent and accountable financial sector in Nepal. As a result remittance companies will be able to conduct their business in safer environment and the international community will be able to monitor any suspect activities. By meeting the standard of the host countries, remittance companies will be able to conduct their business operations without any disruption.

The systematic remittance system of Nepal is not so old. It is a new business, which help to improve the nation. Remittance system remains a significant method for business and individuals to repatriate funds. The system is favoured because it usually takes less costs & time than moving funds through the formal banking system. It is almost always reliable as it operates seven days in a week and takes minimal paper

works. In remittance systems funds are paid to an agent on one end in one country or region and dispatched by another agent in different country or region. The system is built on a relationship and trust and therefore can flourish in an environment characterized by the absence of oversight or regulation such as Nepal.

A key factor of remittance systems is that the monetary value is moved from one location to another often without the physical movement of the currency. In many instances elements of legitimate regulated financial services are employed, in other cases companies operate in secret and do not maintain adequate accounts or records making regulation difficult if not impossible. In all cases remittance systems rely upon some form of netting or book transfer procedures to transmit value.

In Nepal, remittance dates back to many years. In the 1990's after the restoration of democracy, the government started the liberation and privatization process in the country. After the 1990's, a significant number of Nepalese went to USA, UK, South Korea, Middle East, Gulf countries and so on for the employment opportunities. Particularly Malaysia, Qatar, Saudi Arab, Dubai; many semi skilled and unskilled labours were attracted for the employment through mostly proper channel of authorized manpower agencies in Nepal. To make these mushrooming manpower agencies trustworthy and regulated as per the requirements of legislature, various laws were implemented by Ministry of Labour, Nepal. Also, Nepal governments feel to obtain and implement remittance policy to channelize the funds flowing towards the country from the workers in various parts of the world. Under that policy, as per Nepal Rastra Bank, total of 41 Nepalese remittance companies with coalition with foreign banks and companies are doing their jobs. And yet remittance companies are booming. But the recent economic slack down did started to show up the effect in these financial institutions too. It is hence predicted that this effect will slowdown in the forth coming years. This will eventually lead to an increased intensity of competition in the financial sectors. The principle of "struggle for existence and survival of the fittest" will be synonym to such scenario. The remittance companies will have to increase its efficiency and services to sustain and finally win the competition.

There are various methods of transferring or remitting funds. Remittance are channelled either from organized sectors like banks, financial institutions or authorized money transferring agencies, or informally through unorganized mediums like Hawala, Hundi or physical movement of funds with people. In Nepalese

language, Remittance is known as 'Bipreson'. In Nepal's case it is found that still more than 50 percent of remittance is being channelled through informal and unorganized channels. There are two types of remittance:

- a) Inward Remittance &
- b) Outward Remittance.

For these types of remittance there are many organized sectors except banks e.g. International Monetary Exchange, Western Union Money Transfer, CG Finance etc. Thousands of people leave the country to work abroad every year and send back their hard earned money. But the significant sum remains largely unutilized due to indifference on part of the government and policy makers. Thousands of people leave their homes every year, most of them sell their small pieces of land or borrow from local money lenders, to go abroad in search of jobs.

Remittance as a major source of foreign currency to the developing nation has become a substantial component of making current account surplus in the balance of payments. It is argued that many workers from Nepal going abroad for employment are no doubt young, energetic, laborious and enthusiastic. They do hard work for earning large remittance income to support their families. However, the downside of remittances reflects the view that remaining young generation for long time outside without family may increase their vulnerability and ultimately they will have a tendency to leave their homeland. Thus, in order to recover the loss of economically active labour force to the domestic economy, they should be encouraged to come back again with skilled knowledge for utilizing their savings and working experience for development to the productive areas in accordance with the priority of the national development plans.

Remittance income in developing countries has become a lifeline for economic development. As per the report of World Bank entitled "Global Economic Prospects and Economic Implications of Remittances and Migration 2006" International remittances received by developing countries crossing over USD 167 billion in 2005, have doubled in the past five years. This is excluding the various surveys conducted by WB which suggests that unrecorded flows through informal channels may conservatively add 50 percent (or more) of the earlier stated flows. As per the data of

International Monetary Fund, Western Union occupies about 12% market share, making it the largest shareholder in the market followed by Money Gram and other remittance companies. By remittance we mean sending income in terms of money or goods in home by the migrants or workers who have their earnings outside their home country. Nowadays, this source of foreign income has been growing rapidly in each year in developing countries. Since long time in Nepal, many migrants have been transferring their income through the unofficial channels. Today due to the establishment of different agencies like Western Union, International Money Express (IME) etc. in several district headquarters of the country, the remittance flows has become popular for transferring cash or money in time to the recipients. However, it is difficult to calculate the exact size of remittance flows in Nepal due to the emergence of unofficial channels even though it has recorded in balance of payments account. In this regard, it is estimated that unrecorded flows through informal channels are believed to be more than 50 percent of the recorded flows in developing countries.

Remittances are especially important for low-income countries. A remittance transaction is completed in three steps. In the first step, the sender pays the remittance to the sending agent or institution using cash, cheque or money order or a debit card using ecommerce and so on. In step second, the sending agency instructs its agent in the recipients' country to deliver the remittance. In the third step, the paying agent or union operator makes the payments to the beneficiary. Formal remittances are periodically followed between ending agents and paying agents according to their agreed schedules. However, informal remittances are settled particularly through goods trade. This scheme of sending money has played an important role to deliver money transfer services in a convenient way. The cost of remittance transaction includes a fee charged by the sending agent, who is paid by the sender and a currency conversion fee for delivery of local currency to the beneficiary in recipient country. In such a transaction, money transfer operators require the beneficiary to pay a fee to collect remittances. This fee may be charged to account for frequent exchange rate movements. Moreover, if this remittance comes through commercial banks or financial institutions, they may earn an indirect fee in the form of interest by investing funds before delivering the amount to the beneficiary.

Channel of Remittance can be divided broadly into formal & informal channels. Banks, Post Office and Money transfer operators such as western union are the active participants of formal channel whereas Hundi /Hawala or similar service and transfer through Self/Relative/ Friend constitute the informal channel of remittance.

1.2 Statement of the Problem

With a steady increase in Nepali migrant workers and a corresponding increase in remittances, Nepal Rastra Bank has come to realise the value of both remittance and a more liberal monetary policy. Part of the reason this importance remained hidden for so long was simply due to the inherent difficulty in documenting the process. During the 1990s, the Rastra Bank maintained tight control on foreign currency circulation; this increased the demand for foreign currency and led to a rampant black market for these currencies. As such, both the remitter and operator stood to gain by carrying out transactions at a rate higher than the official exchange. In an attempt to divert more remittance-flow through official channels, the Rastra Bank loosened its monetary policy in 2002 by granting manpower agencies the right to open foreign-currency accounts in commercial Nepali banks. It also gradually slackened its grip on foreign currency supplies for Nepali citizens leaving the country. This has reduced the importance of the foreign-currency black market and has had a positive effect in bringing more remittances through formal channels.

“Remittances can generate a beneficial impact on the economy through various channels, such as savings, investment, growth, consumption and income distribution,” Pant explains³. (Himal South Asian Journal³) “Remittances have relaxed the foreign-exchange constraints of the country and strengthened its balance of payments position.” Bringing more remittance money through formal channels is critical, as there is no actual flow of currency through informal channels. There is, however, more money being circulated in the receiving country, but without any increase in foreign reserves to balance it out. Depending on the volume, this increase in cash circulation without an increase in foreign reserves can cause inflation. Economists also point out that remittance money can create real-estate bubbles and tends to prop up overvalued exchange rates. Furthermore, when the informal sector is utilised, any

direct or indirect tax revenues the government would gain from these transactions are lost.

The informal sector can never be entirely eliminated. With the majority of those working in India using informal channels or coming home seasonally with their earnings, formalising money transfers from India will remain extremely difficult. However, considerable provisions can be made to formalise money from other countries; considering their volume, these would lead to a greater impact. Although disrupting the informal channels would have an adverse effect on those who rely on hundi networks for their income, formalising money transfers will benefit the country in the long run through investments and the multiplier effect.

The number of Nepali households receiving remittances has increased from 23 to 53 percent between 1995 and 2004. The amount received per household has also gone up from NPR 15,000 to NPR 35,000 per year. Remittances have been crucial in reducing poverty levels in rural Nepal, and a significant amount of this money is invested in educating the children of the remitter. Shankar Sharma, vice-chair of Nepal's National Planning Commission, suggests that the reduction in poverty in Nepal from 42 to 31 percent between 1995 and 2004 was a direct result of remittance flows to the poorest sections of society. Experts still argue, however, that remittance money only supports direct consumption – that very little is actually diverted to development-oriented, job-creating investments. But a study by the Bangladesh Institute of Development Studies claims that remittances in Bangladesh have had a multiplier effect of 3.3 on GNP, 2.8 on consumption, and 0.4 on investments. An International Labour Organisation (ILO) report in 1999 also suggests that micro-level social development projects could steer remittances towards more development-oriented channels, thereby making their effects even more profound.

For these various reasons, open and liberal economic policy towards the banking sector of Government of Nepal initiated many joint venture banks, international bank, finance companies, rural banks and cooperative societies in Nepal. Other institutions are offering similar nature of services like finance companies, co-operative societies and development banks are growing in large number. The commercial banks are centrally located in urban areas and some have already expanded their branches in the

rural areas of Nepal. Nepal Rastra Bank has imposed many rules and regulations so that banks can bring sufficient remittance from the different countries. They are being operated in urban and sub-urban region of the country. They seem successful to achieve a remarkable market share in Nepalese financial sector in short span of time. However, the rapid growth of financial institutions has led to sharp competition among each other. It has threatened the entire banking system. Thus this study will deal with the following issues:

1. What are the percentages of remittance received by Nepal from the different sectors?
2. What is the trend of remittance received by Nepal?
3. What is the contribution of remittance in the Gross National Product (GNP)?

1.3 Significance of the Study

It may sound pessimistic but nobody can escape from the bitter truth that prosperity of a nation without its economic development is practically impossible. Remittance is playing a vital role in the development process. Adequate inflow of and growth in remittance in the nation has helped to improve the living standard of the people and their society. As every individual and nation is highly affected by the collection of remittances, the greater care must be taken for remittance collection in systematic and legal approach.

On one hand, the increase in remittance helps for the economic prosperity, but on the other hand, to generate the remittance brain drain is occurring so rapidly. Therefore, this study seems relevant as it attempts to analyze and determine in the amount of remittance inflow and the no of citizens striving for generating remittance. The result of the study shows the actual condition of our country in terms of remittance flow and the necessary ways to overcome issues if any, so that their improvement can be improved. Hence, this study is beneficial to:

- a. The Government who heavily depend on the remittance for the day to day circulation of funds.
- b. NRB and Policy makers for formulating policy regarding liquidity management, development of new market and many more.

- c. Manpower companies who recruits the people to the different parts of the world as per their requirement of the job.

The study is obviously beneficial for the stakeholders such as NRB, Government, business personnel and many more sectors. It may be equally important for library and other researchers who are interested to explore about the concerned topic.

1.4 Objectives of the Study

The main objective of the study is to analyze the remittance in Nepal through financial institutions. The other specific objectives are as follows:

- i. To study the trend of remittance of the country.
- ii. To evaluate the country wise remittance in Nepal.
- iii. To provide appropriate suggestions for their improvement in remittance of Nepal.

1.5 Limitation of the Study

This analysis is based on the secondary data available in the bank. Some of the information of the banks were confidential and thus could not be included in the report. This study is not a comprehensive study. This study is conducted for the partial fulfilment of the requirement for the degree of Masters in Business Studies (M.B.S). So, there are many deficiencies may find in this study due to various limitations.

Some of the limitations are mentioned below:

- i. This study is based on a secondary data from F.Y 2006 to F.Y 2012, the calculation and conclusion of the study is fully dependent on the accuracy of the data available from the various sources.
- ii. The limitations of this study are time constraints, limited budget, lack of experience, lack of up-to-date information.

- iii. It is focused on the inward remittance and has not given priority to the outward remittance which flows from Nepal to outside country.
- iv. This study could not gathered the information on remittance received by the different banks in Nepal as Nepalese banks did not want to disclose the amount or remittance received by them from the different sectors.

1.6 Organization of the Study

This study is be classified into five chapters.

Chapter I: Introduction

This chapter described the background of the bank and remittance, statement of problem, importance of research, objectives of the study, limitation of the study and organization of research, concept of commercial bank, and scope of Nepal's Banking Industry.

Chapter II: Review of Literature

This chapter mainly deals with review of literature, which contains conceptual framework, in regard to the theoretical analysis and review of previous thesis, review of policy document.

Chapter III: Research Methodology

This chapter deals with research methodology used to carry out the research. It includes research design, population and sample, source and technique of data collection, data analysis tools. Moreover, in this chapter there is taken different financial and statistical tools and the formula to find out the different analyzing category.

Chapter IV: Data Presentation and Analysis

This chapter is main part of the study, which includes analysis and interpretation of the data using financial and statistical tools. It contains presentation and analysis of the relevant data and information using various analytical tools and the concept on the remittance. Similarly this chapter also includes the major findings of the study.

Chapter V: Summary, Conclusion and Recommendations

The last and the fifth chapter is the summary chapter, which tries to summarize and conclude the whole study. Some recommendations are also incorporate in this chapter to improve performance of the bank. A list of Bibliography will be presented at end of chapter five and the necessary supplements are presented in this final segment as the appendices.

CHAPTER II

REVIEW OF LITERATURE

The focal point of this chapter is based on past knowledge. Previous studies cannot be ignored because they provide the foundation to the present study. This chapter helps to discover what other research in the area has unrecovered. So this chapter is based on review of literature relevant to the problems, theoretical and conceptual review given by different authors, articles and also reviewed studies performed previously by thesis writer.

2.1 Conceptual and Theoretical Review

2.1.1 Introduction

International remittance has a vital role in most developing countries on poverty, income distribution and economic development, especially in rural areas. Migrant remittance flows surpass official development aid receipts in many developing countries.

Studies have shown that remittances can have different effects at various levels. At households' levels, it helps increase in income and consumption smoothing; increase saving and asset accumulation; and improve access to health services, better nutrition and to better education. Likewise, at village/community level, remittance income can help generate local commodity markets and local employment opportunities. The

impacts of remittances on poverty and inequality however, depend on how far poor households are able to join in the process.

The process of recruiting Nepalese people by the British East India Company began after 1816 when Anglo- Nepal war ended. However, the government of Nepal was not in support of recruiting its citizen in such a way before 1886. After 1886, government of Nepal (Rana government) not only permitted the British for recruitment but also encouraged young Nepalese people to join British army.

Remittance earnings increase household income and the households can use it for several purposes. Purchasing input to increase farm productivity, investing in nonfarm activities or increasing consumption are some of the possible areas where households can spend the money. Therefore, the household can increase its level of welfare via increased consumption of both food and non-food commodities.

Thousands of people leave the country to work abroad every year and send back their hard earned money. But the significant sum remains largely unutilized due to indifference on part of the government and policy makers Thousands of people leave their homes every year most of them sell their small pieces of land or borrow from local money lenders, to go abroad in search of jobs. With the annual growth of labour force at a rate of 3 percent (against the population growth of 2.1 percent) per annum, nearly 200,000 people enter into Nepalese labour market every year. Studies suggest that of nearly 12 million strong labour forces in the country, about 650,000 people are unemployed.

Though the tradition of going to "lahur" began in Nepal in 1809 followed by recruitment of Gurkha soldiers by the British East India Company in 1815, it was largely limited to certain regions and ethnic communities of the country. Most of the common Nepalese, however, preferred to visit India seeking jobs as they could do so by spending relatively small sum of money and did not need visa or a passport to cross the 1750 km long common, open border.

The stagnant agricultural economy, lack of new opportunities of employment and more importantly, the "demonstration effect" continue to push Nepalese labourers to

India and abroad. But it was only after the restoration of democracy in 1990 that the flow of Nepalese workers to the Gulf countries and East and South East Asia witnessed a significant rise. And, the trend continued unabated.

Besides traditional sources like salaries and pensions of Gurkha soldiers serving in the British and Indian army, thousands of Nepalese some of them engaged in three "D" jobs (that is, Dangerous, Dirty and Difficult) are sending billions of rupees back home. This has emerged as a vibrant sector of the country's economy.

Seddon & et.al. (2012) has conducted a study entitled "Foreign Labor Migration and the Remittance Economy of Nepal" for DFID (Department for International Development of the British government), nearly Rs 320 billion was remitted by the Nepalese working in foreign countries in 2012. Nearly 40 billion came from an estimated one million Nepalese working in India whereas the rest (nearly Rs 29 billion) came from people working in other parts of the world. According to the national census, 2012, the number of Nepalese going abroad rose from around 660,000 in 1994 to 3,140,000 in 2012. The vast majority of them (77 percent) went to India whereas 13 percent of them went elsewhere. This constituted around 5 percent of Nepal's total population and less than 6 percent of the active labour force (estimated in 2007 at around 18.7 million). It is quite low when compared with the figures for other South Asian countries between 10 percent and 30 percent of the labour force in India, Pakistan and Bangladesh works overseas.

According to rough estimation nearly 20,000 Nepalese are working in Europe and North America. Similarly in 2006, it was estimated that around 160,000 Nepalese were working in the Gulf countries, around 60,000 in East and South East Asia, and an estimated two million in India. The recorded value of money sent back from abroad nearly doubled, from 1997/98 (Rs 11.4 billion) to 2000/01 (Rs. 21.2 billion). Over the next decade, the official value of foreign remittances increased three-fold, to reach Rs 320 billion by 2011/12. According to Indian embassy in Kathmandu, after the recent hike in salaries and benefits of servicemen by Indian government as per the recommendation of the fifth pay commission, India will be distributing nearly Rs. 5.3 billion per annum to nearly 100,000 Nepalese pensioners (including 80,000 ex-soldiers) from this year. Is all this money being utilized in a productive way? The

most of the earnings of ex-Gurkha soldiers and others returning from abroad had been used in buying land, constructing houses and other unproductive social rituals. Even those who were interested to start new ventures did not find any attractive areas for investment. "There is no coherent program to increase the benefits of the remittance economy and reduce the very real social costs of foreign labor migration as part of Nepal's overall development strategy."

Policy makers are also recognizing the contribution of remittance to national economy. The on-going compilation of Gross Domestic Production has also accounted remittance as one of the major sources of national income of the country. "The government recognizes the importance of remittance and its contribution to national economy," (Pandey, 2007).

With a view to bring in the remittance through official channels, Nepalese officials had worked a lot. They had set up many channels with foreign employment banks. As major shareholders of the proposed banks are of foreign employment agencies themselves, they had tried their best to channel the overseas earnings of the Nepalese through the Bank.

Analysts say that setting up a bank alone will not be sufficient to address different issues related to the remittance economy. As the number of people visiting abroad in search of job is likely to continue in the days to come, the volume of remittance entering in the country is bound to increase. So, the time has come to channelize such income toward productive sectors."

The government should issue bonds or debentures to mobilize the money and other Nepalese working abroad and invest it into infrastructure projects. Such a loan will be cheaper than that borrowed from international institutions." With the onset of globalization and opening up of even rigid borders for foreign manpower, Nepalese people could find new avenues of overseas employment provided they are skilled enough.

2.1.2 Formal and Informal Channels

There are two channels used to transfer the remittance, Formal Channels and Informal Channels.

Banks, Post Office and Money Transfer Operators such as western union are the active participants of formal channel.

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

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

The formal sector is comprised of banks, postal services, and money-transfer companies like Western Union, MoneyGram and International Money Exchange (IME). Unlike the informal sector, there is an actual transfer of currency between nations, and the amount is recorded by the central banks of both countries. In order to develop commercial money-transfer markets and services, Nepal Rastra Bank official Bhuwanesh Pant explains that the bank had begun granting licenses to private-sector organisations in March 2012. According to Pant, as of 31 January 2012, 49 firms excluding commercial banks are operating money-transfer businesses, and that a letter of intent has been granted to 69 other firms to begin money-transfer businesses.

According to Pradyman Pokharel, the head of business development at Nabil Bank, a premier Nepali Bank, financial institutions that were playing catch up to the Hundi networks have finally levelled the playing field. Money has traditionally been transferred between financial institutions through the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system established in the early 1970s. SWIFT transactions work through a series of language-independent data-code messages, piped through multinational banks like Citibank, Bank of America and Credit Suisse. Here, a labourer in one country gives his money to a bank, which then informs a third-party bank, usually a major US or European bank. The third-party bank then transfers an amount equal to the deposit from the first bank to a second and informs the second bank of the deposit. The SWIFT network is exclusively for established financial institutes and has a network of 7400 user banks in 199 countries

worldwide. Due to its extended network and the time differentials between member banks, the transaction can take anywhere from one to four days to process.

Hundi / Hawala or similar service and transfer through self/ relative/ friends constitute the informal channel of remittance.

Hundi (in East or Southasia) or hawala (in the Middle East) are informal money transfer systems that differ only in local nomenclature. Informal channels are called in different ways in different countries like it is known as Fei- Chien in China, Hundi in Pakistan and Bangladesh, Hawala in India and Middle East, Padala in Philippines, Hui Kuan in Hong Kong and Phei-Kwan in Thailand. Individual sends money via friends or relatives who are traveling back home. They are largely based on trust, and used mainly by expatriate communities or migrant workers to send money back to family members in the country of origin. No records are kept of these transfers, and they lie outside all official channels. The attractiveness of the hundi system is both economic and cultural. Economically, these networks tend to be cheaper than banks or money-transfer companies. They also are faster, more versatile, and have a wider reach compared to most financial institutions. The hundi-wallahs, or hawaldars, generally make money through a minimal service-charge or by taking advantage of exchange rate spreads. These operators are generally members of the community they serve, with bonds of kinship, ethnic ties, or personal relations making them appear worthy of trust.

A hundi system works by developing a credit between two agents, which is used either in reverse-hundi transactions or tagged onto import-export deals. For instance, a USD 10,000 hundi credit is attached to a USD 100,000 export bill, saving some import-tax expenses. A simple transaction works as follows: a Nepali labourer working in, for instance, Malaysia, gives his money in Malaysian Ringgits to a hundi agent in Malaysia. That agent then informs his counterpart in Nepal, while the labourer meanwhile tells his family that he has sent them money, and may even give them a remittance code for verification purposes. The agent in Nepal contacts the labourer's family and delivers an equivalent sum of money in Nepali rupees.

Nepali workers in India and East Asia use the hundi system extensively due to its wide reach into rural Nepal. There are an estimated 26,000 British army pensioners

and over 105,000 Indian Gurkha pensioners. Until the 1970s, money sent home by the Gurkhas was Nepal's largest source of foreign currency. In *The New Lahures*, a book on foreign employment and the Nepali remittance economy, the authors claim that in the mid-1980s, Nepal was gaining nearly USD 47 million annually in foreign exchange from the British Gurkhas and over USD 100 million from the Indian armed forces. Of this, an estimated 90 percent arrived through informal channels. With an oblivious formal sector, hundi systems were easy to form and maintain. Further, illegal Nepali workers in countries like Japan, Hong Kong and Thailand are entirely dependent on the informal sector for sending money back home.

Little research has been conducted on issues dealing with Nepali migrant workers and remittances. Misplaced nationalistic pride could be at fault, as such workers are often dismissed for the 'unpatriotic' act of leaving the country in search of work. Journalist Rajendra Dahal first brought the issue of Nepali remittance into the public eye in 1997, around the same time as a British Department for International Development (DFID)-supported project was being conducted on the effects of remittance in rural Nepal. This project was an offshoot of research done in 1996 on the rural economy of western Nepal, which showed an increasing reliance on remittances. Presented in 1998, the preliminary findings of the DFID research suggested that the actual volume and importance of remittances to the Nepali economy had been significantly understated, a finding confirmed by subsequent research.

The Nepali informal sector developed and flourished due to an ineffective commercial system. Recent awareness of the value of remittances have increased investment and interest in the area, with major manufacturing houses like Chaudhary Group and Golchha Organisation entering the money-transfer business. Recent scandals and reports of fraud by hundi agents have meanwhile undermined the levels of trust necessary for these operations. In one case, a hundi agent reportedly swindled over NPR 40 million from 70 Gurkhas with whom he had been working for years⁶ (*Himal South Asian Journal*⁶, 2010). Though rare, stories like these have severely dented the credibility of the hundi system, and have encouraged more people to explore formal options.

Hundi networks have three major advantages: speed, access and personal service. As hundi systems are entirely dependent on the trust of the labourers and their families,

they make exceptional efforts to keep the worker and the worker's family happy. Because a hundi agent that no one trusts has no business, the development of personal relations and bonds are integral to any hundi network. Users report agents to be personable, helpful and friendly; those same users often find the bureaucracy and the institutional depersonalisation of major financial institutes to be frightening and cold. There is a growing awareness within the formal sector about such complaints, while a growing realisation of the amount of money involved has been a source of renewed motivation.

After September 11, 2001 incident in USA (Terrorists' attack on Twin Towers in NY), the governments of almost all countries have discouraged such informal payment systems and these are hence expected to lose customers continuously to the faster and safer 'Formal Payment Systems' that are compliant with regulatory agencies.

In this way, people or group who lives in abroad will have a contact with the people or group living in homeland and sends the remittance through Hundi. Except this method, many people sends money through their brother, friend and relatives and some people takes money themselves when they are returning to their household. The informal channels are being highlighted and popular because of its cheaper cost, fast service and less document anxiety. Therefore, the informal money transfer is also known as poor people's bank. From one of the study, we came to know that annually USD 100 Bio to 300 Bio remittances have been flown through informal channels.

According to Hawala Method, Bank remittance can be divided into inward and outward remittance. Since, remittance nowadays is a major source of foreign currency in Nepal, we will talk about funds coming to Nepal or going out from Nepal. Funds being received in Nepal from other country are termed as inward remittance. Normally we receive MT 103 message (A type of SWIFT message for customer fund transfer) for such fund inflows. In other cases payee residing in Nepal may get payment through drafts also (It is also inflow of fund in the country), and customer may deposit them to bank for the realization. Fund being transferred to other countries is termed as outward remittance. Frequently, used instruments for outward remittance are drafts and MT 103. Outward remittance involves the flow of fund from our country to other nations. Since it reduces nations precious reserve of foreign currency,

therefore NRB has laid many restrictive policies regarding it in order to control its misuse. All the rules set by central bank must be strictly complied and necessary reporting must be done in timely manner. Fund transfer within Nepal (Between customers of bank branches) can be affected through Manager's Cheque and Fax transfers. If we have draft drawing arrangement with other local banks then we can also issue their draft (Cheques) for fund transfer within Nepal. The modus operandi of formal payment system is illustrated with the following example of Western Union Money Transfer: The sender visits any offices of WUMT (Sending Agent) in vicinity and fills up the form and deposits the amount to be remitted plus fee in the office counter. The sending agent then uploads the transaction to the central system of WUMT and conveys the secret coded number to the sender. The sender then contacts the recipient and conveys the secret code number and other details of remittance. The recipient visits any office of WUMT (Paying Agent) in vicinity and fills up the form with remittance details. The paying agent verifies the remittance details with the transaction with the given secret code number and upon verification, pays the money to the recipient.

2.1.3 Parties involved in remittance

Remitter: Person who sends money.

Remitting Bank: Remitter's bank which receives fund from the remitter and sends fund.

Paying bank: Bank which receive message from remitting banks and pays to the beneficiary.

Beneficiary: A person who is intended to receive money.

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

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

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

2.1.4 Modes of Remittance

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

1. Demand Draft
2. Mail transfer and Telegraphic transfer (Fax transfer)
3. Travelers Cheque
4. SWIFT
5. Letter of Credit
6. Plastic Cards

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

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

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

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

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

Retail Money Transferors: The other formal channels used by workers sending remittances are retail transfer systems like Western Union, MoneyGram and IME. These retail transfer agents claim to offer a match for the hundi networks. All transactions are conducted digitally, allowing these systems to rival the speed and efficiency of the informal sector. After receiving a remitter's money in one country, a retail transfer agent enters the transaction into the network; in a matter of hours, the money is available at a company agent in the receiving country.

Travellers Cheque: The commercial bank issues a Travellers Cheque in Euro or USD for the person travelling abroad. Bank issues a cheque of available denomination after payment to the bank in local currency with a nominal bank charge. These cheque after counter signing by the holder have a monetary value as imprinted in the cheque. This cheque can be encashed or paid to any individual or parties after signing the cheque.

Plastic Cards: These are cards with magnetic data readable device. Commercial bank issues these cards against the owner's bank balance or credit agreements. Nowadays

even USD cards is also given for travellers. Most used plastic cards are Debit Cards, Credit Cards, ATM Cards, Visa/Master Cards etc and are mostly accepted in India also.

2.1.5 Remittance Income in Nepal

Initially, remittance in Nepal was introduced with Gurkha remittances. 'The Gurkhas' were renowned for good qualities of soldiers. That is why British India formally recruited Nepalese youth as a regular army, which later divided into British and Indian army. Now- days, Nepalese going abroad are not only for armies but also spread all over the world for work and mostly they are concentrated in Gulf areas in civilian front. Any Nepali to go for work legally, he/she needs to get permission from the Department of Labor under the Ministry of Labor and Transport of the Government of Nepal. From the official report of the Labor Department it is known that 107 countries are at the government list where Nepalese are allowed to go for work. But still some people are found going abroad without permission and working in the government restricted areas too. Because of this trend, data on foreign employed workers are not available in exact form. Majority of those who have left home for overseas job are eager to earn foreign currency by hard working to support their families.

With regard to the delivery of remittances, the World Bank has expressed the view that the procedure of receiving remittance in Nepal is the best one in compare to others. Remittance Transaction Company cannot receive cash directly from the Nepalese workers remaining outside. The workers have to deposit their remittances in foreign commercial banks account and the transaction company through its account delivers the remittance services to the recipients at the cheapest cost (about 1 percent of remittance income). Moreover, the Hundi system is almost closed due to the establishment of Remittance Company in Malaysian and Gulf countries. However, the system of Hundi is still working in Japan and Korea where most Nepali workers are living even if their visa date is expired. Over the past 15 years from 1991, international migrants' remittances have become increasingly prominent in our country. The amount of remittances reflects only transfer record in the balance of payments. Unrecorded flows through informal channels are believed to be more than

the recorded flows. Regarding the transfer of remittances in Nepal, the record of banking sector showed that Rs.120.30 billion was received in FY.2011/12.

However, Hundi operators or money transferring agencies handled the bulk part of remittances. Considering the increasing number of workers, assuming four lakh per year going outside the country in this perspective, remittance received was estimated at Rs.80 billion in FY. 2005/06. Similarly, 209.70, 231.73, 253.55 and 320.37 billion rupees remittance received in 2009, 2010, 2011 and 2012 respectively. In this regard, it is also estimated that more than 500 people per day are going abroad for foreign employment. From such migrants, about Rs.100 billion per year is expected to enter into the country through remittance income only. In order to provide access for transferring remittances, Western Union, IME and Prabhu Money Transfers are found active in Nepal. Of these agencies, more than 200 subagents of single Hulas remittance including banks, finance companies, trading concerns, enterprises etc. under the province of Western Union, have been opened in five Development Regions of Nepal. These agents deliver remittances to the recipients of local areas within a short span of time.

Because of the remittance, the construction sector has been highly increased in the urban and as well as rural areas. This was reflected in the rise of import and production of construction materials. Construction works picked up in the urban and sub urban areas largely due to the increase in the remittance income. Many people who receive the remittance are utilizing fund to the fixed assets more than to invest it to the productive sectors. The purchase of the Land, Buildings and some of the people are using that fund in the purchase of luxurious products. We have to educate them to use some portion of these remittances to the productive sectors so that it could help him / her to earn more in the future. Moreover, it would help to boost the economy of the country by investing these funds to the different kinds of the industry.

2.1.6 The importance of remittance to national economy

Agriculture remains Nepal's principal economic activity, employing over 71% of the population and providing 32.12% of GDP. Only about 25% of the total area is cultivable; another 33% is forested; most of the rest is mountainous. Rice and wheat are the main food crops. The lowland Terai region produces an agricultural surplus, part of which supplies the food-deficient hill areas. Because of Nepal's dependence on agriculture, the magnitude of the annual monsoon rain strongly influences economic growth.

According to the revised estimates of the Central Bureau of Statistics, GDP grew 4.68% in FY 2003/2004 and slipped to 3.12% in FY 2004/2005, but again increased marginally to 3.72% in 2005/2006 and slipped to 3.19% in FY 2006/2007. GDP increased 4.70% in 2007/08 and then decreased in 2008/09 and 2009/10 to 4.60 and 3.50% respectively. In FY 2011/12 GDP was slightly increased up to 3.9 %.

Despite its growing trade deficit, Nepal traditionally has a balance of payments (BOP) surplus due to remittances from Nepalese working abroad. For labor surplus countries in South and South East Asia, remittance has served as one of the major factors for raising national income (GNP). In countries like India, Sri Lanka and Phillipines, remittance has contributed a lot to raise the living standards of people and increase national savings. It provides a basis for investment and economic activities. Our concern should be that such income doesn't get wasted in consumption as we have liberalized our imports. If our people bring in cash with them instead of luxury goods and deposit it at the banking system here, then the banks will be able to allocate them in a judicious way. This will help increase production and generate employment opportunities.

This can also help reduce our dependency on foreign aid and loan. If channelized properly, it can contribute to the long-term economic development of the country. Though international labor market is volatile and changes as per the cycle of production, we can become free of undue external interference and we will not have any future liabilities by tapping those markets. It is as good as commodity exports.

The contribution of remittances to GDP was 11.1% in 2004/05 and its share to current account receipts was 38.2 percent. The contribution of remittances to GDP were 17.5, 21.2, 19.6, 22.3 and 24.6 percentage in 2008, 2009, 2010, 2011 and 2012 respectively

and share to current account receipts were 46.7, 45.3, 51.1, 56.7 and 59.3 percentage respectively. So, if we can use these funds in appropriate way then obviously it will lead to a drastic change in our living standard. For the developing countries like Nepal, Remittance is one of the important aspects to raise their national income. There is a vast difference between the official figure and private studies. Also, some private studies have suggested that annual remittance flow into the country stands at around Rs 70 billion. If it is true then it may imply that we haven't been able to record this flow properly. But the situation now is that the Nepalese overseas workers can't get premium in 'black market' by selling their earnings as was the case till a few years back. That is why; the banking channel has emerged as a reliable and appropriate medium to remit their money. Secondly, with the expansion of banking services and different money transfer schemes operating here like western union money transfer, CG finance, International Money Exchange etc, there is no reason to decline the flow of remittance through official channels. Of course, there may have been some adverse impact due to recession in the East and South East Asia upon the income of the Nepalese working there. The main reason behind so huge gap between the official and private studies is that they seem to have overestimated the remittance flow from India. They have estimated that remittance flow from India into Nepal ranges between Rs 35 to Rs 40 billion per annum. But we must not forget that it is a two-way traffic with India. An equal amount of money may be going to India through Indian nationals working here. If we had Rs 40 billion worth of Indian currency, where has all that money gone? People should come to banks to exchange the money. The Indian currency reserves with our banking system are only 8 to 9 billion rupees. So, in case of India we should consider on net remittance basis otherwise we will have one sided picture only. In that case, present figures will appear to be close to the reality.

Nepal's persistent balance of payments surplus is a key factor in assessing whether the exchange rate is near equilibrium. The balance of payments has been in surplus for the last decade, with an annual reserve accumulation of around \$150 million over the last five years. This surplus continues despite the deteriorating trade balance, primarily owing to Nepal's unique role as a major exporter of labor services. In 2008/09, Nepal has surplus balance of payment amount \$44.76 billion and in 2011/12 deficit of \$ 8.43 billion. Remittances from workers' earnings abroad have been a

dominant flow of foreign exchange, with annual flows now exceeding 15 percent of GDP.

Also, remittances have played a major role in boosting Nepal's imports. Although higher world oil prices have contributed somewhat, the main factor behind rapid import growth in recent years has been higher consumption as remittances raise disposable income and demand for durable goods. At the same time exports have experienced a number of shocks. While exports to India have overall been stable (and account for about 70 percent of total exports), the growth rate of exports to other destinations has fallen. Driving this has been the decline in the textiles industry, the main Nepalese export to countries other than India. This industry has faced persistent unrest in the Terai, electricity supply shortages, poor labour relations, campaigns against child labor, and the expiration of the multi-fiber agreement in 2005. On balance, however, growth in remittances has consistently produced balance of payments surpluses. Nepalese workers finding employment abroad has been a fortunate development given the problems facing the domestic economy—indeed, the World Bank estimates that remittances have been the main factor behind Nepal's declining poverty rate over the last decade. But employment abroad is also likely to have significant social costs, and is not contributing to Nepal's long-term development. Bringing production to within Nepal's borders will require establishing political stability, reducing civil unrest, and resolving the country's structural problems

As per article published by Travel Document System Nepal, Economy, in FY 2011/12, Nepal recorded a balance of payments surplus \$8.43 billion. In FY 2007/2008, balance of payments surplus of \$452.9 million (0.4% of GDP), as compared to \$83.58 million in FY 2006/2007 (0.01% of GDP). Significant rise in workers' remittances and grants assistance contributed to a record level of BOP surplus in FY 2007/2008, however, the BOP surplus covered import trade credit amounting to \$232 million in 2007/08, reflecting a rather fragile base. In the previous year, import trade credit was at a lower level of \$ 25.95 million. Nepal receives substantial amounts of external assistance from India, the United Kingdom, the United States, Japan, Germany, and the Scandinavian countries. Several multilateral

organizations--including the World Bank, the Asian Development Bank, and the UN Development Program--also provide significant assistance.

2.1.7 Socio-Economic Implications of Remittances

The income of migrants from the foreign employment has not only increased their personal income but also their social prestige. The rural people lying below the poverty level have succeeded to uplift their economic standard receiving the opportunity of foreign employment. Moreover, the downside of remittance reflects the view that the shortage of labor due to emigration has not only compelled to keep barren land in rural areas but also hamper agricultural productivity and ultimately the country would be liable to import the large quantity of food grains. Despite these, remaining young generation from the families for long time may affect their reproductive age and their vulnerability may be subject to communicable diseases. It is also possible that if they come back with good skills and earnings, they may not normally cope with the environment of the homeland and consequently they will have a tendency to leave the country again. Thus, the remittances from foreign employment on the one hand, has played an important role to increase their personal income and thereby improve standard of living and a risk of diseases like HIV/AIDS through migrants on the other may enter into the country. More specifically, this type of communicable disease may be due to poverty, illiteracy, gender discrimination, women exploitation, insecurity, and the lack of legal advice as well as proper treatment. Thus, to minimize this problem, especially rural people should be made aware of the communicable diseases through mass media, education, health care and training cum workshops.

Furthermore, a part of remittance income should set aside by the government through welfare scheme that may become the long run solution to the problem of communicable diseases.

Recently, the decision made by British government has provided the permission for the permanent residence in U.K. to the ex-army of Nepal retired before 1997. From this decision, remittance as a major source of the Nepalese economy will have negative impact in the long run.

The review of available literature shows, in general, remittances are found to be driven by the need to support migrant worker's families, rather than by investment considerations alone. Therefore, efforts should be made to watch the stages the remitters go through from the perspective of designing remittance-friendly policy and motivating the savers for sustainable development. During the first phase, the workers put up efforts to recover the cost of migration. In the second phase, they intend to compensate the household expenses and if possible, and the final phase is preparing for returning home with savings in a mind to reinvest back home. The micro-level analysis of individual behaviour of these returnees may be needed to address the possibility of reinvesting their savings.

Migration has twin benefits. On the one hand, the quality of education improves with foreign education and on the other hand, the size of remittance income also increases. To give an example from the available information from a 2005 data, Nepal received US\$ 1,126 million as remittance through 753,622 emigrants. This means, on average, each individual remitted US\$ 124.5 per month. This amount is about 2.5 times higher than the monthly wage received by a worker with higher education or a trained worker and about four times higher than average GDP per capita per month. According to the Department of Labor and Employment Promotion, the number of workers going abroad for employment had increased by almost 13 per cent in 2007/08 as compared to 2006/07. The number of workers going abroad for employment has increased by 23 percent in 2011/12 than 2010/11.

The setback on this front would mean a great loss to the nations' economy and livelihood of the poor. 70 percent of the total Nepali workers in foreign countries are unskilled followed by 27 percent semi-skilled and three percent skilled. Although there is a demand of the semi/skilled labour (e.g. carpenter, plumber etc.) in the country, they go abroad as migrant workers because these professions at home are considered less prestigious and are less remunerative. This may be an issue for future policy consideration.

As per research conducted by Asia-Pacific Research and Training Network on Trade, on international labour migration of Nepalese women, the impact of their remittances on poverty reduction By Chandra Bhadra, remittance economy and its role in poverty

reduction has a surprising fact that in spite of Nepal going through the worst phase of armed conflict in the country since the mid-1990s and, as a result, losing many foundations of economic growth due to destruction and closure of production bases, the reduction in the incidence of poverty is quite significant.

In South Asia, Nepal is among the countries most dependent on remittances (SAARC, 2009). The contribution of remittances to gross national product (GNP) has increased by more than 5.8 per cent of GNP in the past five years, from 12.3 per cent in 2000/01 to 17.3 per cent in 2011/12. With this growth in remittances, foreign exchange earnings increased from 36.6 per cent in 2004/05 to 46.7 per cent in 2005/06, strengthening the balance of payments. According to the Nepal Rastra Bank (National Bank of Nepal), the inflow of remittances through official channels registered a rise from NRs 47.53 billion in 2001/02 to NRs 97.68 billion in 2005/06.¹ The unofficial inflow of remittances is also no less, as many migrant workers transfer their remittances to their families through the informal *hundi* system of money transfer. Research conducted during 2003 with women migrant workers found that the majority transferred their remittances through *hundi* or by hand. Only 26 per cent exclusively used banks and another 17 per cent combined both banks and *hundi* to transfer money. An overwhelming 44 per cent exclusively used *hundi* while the remaining 13 per cent sent their remittances via friends and relatives returning home (Adhikari and others, 2006). Therefore, it is estimated that the inflow of remittances combining both the official and unofficial/informal channels surpasses NRs 1 billion per year.

2.1.8 Some directions regulated by the government

There have been some efforts to maximize the benefits. If we go back, we had only one or two major sources of income. Those sources were more organized like being employed in the British Army or in the Indian Army and the employment in the South East Asia. In the last two decades, the sources have multiplied. Remittance is no longer identified as a formal sector. There are many informal ways of getting foreign

employment. To manage that part is very difficult. The employers have diversified as have employees. Today the sources of employment are diverse. We are now focusing on facilitating the employees. For example, in Gulf countries, people are getting work in a formal way. The government is now planning to make Nepalese banks open up their branches abroad where Nepalese workers are concentrated. Some of the Banks have already started to open branches in countries like UAE.

The Government of Nepal has already concluded Memorandum of Understanding (MoU) with four destination countries such as Qatar, United Arab Emirates, Republic of South Korea and Bahrain. As per Mr. Vishal Bhattarai, Section Officer, Ministry of Labor and Transport (Labour and Employment Magazine, Vol 2, Ashar 2068), the government is in the process of concluding labor agreements with other countries as well such as Israel, Malaysia, Saudi Arabia and Kuwait. The MoU with Korea is different from other Mous as it is a Government-to-Government Agreement whereas in other MoUs private companies are accredited to send manpower.

Government of Nepal has formally opened the following 107 countries on institutional basis for sending labourers in foreign employment.

Table 2.1
Target Countries for Nepalese Workers

1	France	28	Belgium	55	Iceland	82	Ireland
2	China	29	Iran	56	Holy See ¹	83	Nigeria
3	Russia	30	Canada	57	Malta	84	Indonesia
4	Japan	31	Denmark	58	Panama	85	Qatar
5	Sri Lanka	32	Bulgaria	59	Tunisia	86	Saudi Arabia
6	Egypt	33	Romania	60	Fiji	87	Kuwait
7	Germany	34	Algeria	61	Zambia	88	Iraq
8	Austria	35	Spain	62	Mozambique	89	Bahrain
9	Italy	36	Bangladesh	63	Nicaragua	90	Oman
10	Switzerland	37	Albania	64	Venezuela	91	Hong Kong
11	Poland	38	Norway	65	Colombia	92	Malaysia
12	Greece	39	Finland	66	Bolivia	93	Singapore

13	Philippines	40	Tanzania	67	Estonia	94	Brunei
14	Australia	41	Morocco	68	Ukraine	95	South Korea
15	Myanmar	42	Cuba	69	Armenia	96	Saipan ⁴
16	Pakistan	43	Cambodia	70	Kazakhstan	97	Kosovo ⁵
17	Netherlands	44	Vietnam	71	Byelorussia	98	Latvia
18	Laos	45	Kenya	72	Moldavia	99	South Africa
19	Sweden	46	Mexico	73	Libya	100	Israel
20	Thailand	47	Luxembourg	74	Guyana	101	Macao
21	United Arab Emirates	48	Bosnia Herzegovina	75	Republic Slovakia	102	United States of America
22	Mongolia	49	Czech Republic	76	South-West Africa	103	United Kingdom
23	Hungary	50	Peru	77	Azerbaijan	104	Afghanistan
24	Chile	51	Brazil	78	Seychelles ³	105	Cyprus
25	Argentina	52	Portugal	79	Slovenia	106	Jordan
26	Turkey	53	Costa Rica	80	Macedonia	107	Sechelles ⁶
27	Lebanon	54	Mauritius	81	Croatia		

Source: Labor Market Information Bulletin, Year 4(11), Annual Publication, 2062,P.28

Website: www.moltm.gov.np

1. Vatican City, Italy. 2. South-West Africa-Namibia. 3. Island country in the Western Indian Ocean, north of Madagascar. 4. Island of Western Pacific Ocean. 5. Region of Southern Serbia. 6. North African Island-It was changed from Seychelles in 1756 in honor of French Minister of Finance.

2.1.9 Rules and Regulations by Government of Nepal

- For purpose of making Foreign Labour and Employment more reliable, Foreign Employment Rules, 2042 was introduced.
- Authorized Manpower companies must take pre approval from Labour and Employment Promotion Board.
- For going abroad for foreign employment, minimum scale of wage must be minimum of USD 125 monthly.

- Before going abroad for employment, vocational training must be taken from institutes authorized by Labour and Employment Promotion Board.

2.1.10 NRB Regulations & ILO Guidelines

The existing regulations of Nepal Rastra Bank (the central bank of Nepal) with regard to Remittance Transactions can be categorized as Indian Rupee Transaction and other FCY Transactions. Under the regulation of INR outward transactions, following are the rules laid down by NRB for general purpose other than commercial reasons:

- Request for exchange of cash Indian Rupee is to provided up to INR 25,000.00
- Request for exchange of Indian Rupee up to INR 100,000.00 is to be provided in the form of Demand Draft / Telex Transfer.

Under the regulation of FCY outward transactions, following are the rules laid down by NRB for general purpose other than commercial reasons:

- Nepalese citizens travelling abroad via air (except India) can purchase US Dollar 2,000 against their valid passport and confirmed air tickets.
- Nepalese citizens travelling by road to Tibet and SAARC countries (except India) can purchase US Dollar 300 on the basis of existence of valid visa of entry to the concerned country.
- For children accompanying their Nepalese parent, without carrying a separate passport, the parents can purchase US Dollar 500 & US Dollar 250 per child for travelling by air and road respectively.
- Not all the branches of a bank but only the bank branches which are approved by Nepal Rastra Bank can provide exchange facility against passport.
- Commercial Banks can directly provide convertible foreign exchange facility to Nepalese individuals and institutions such that the beneficiaries for such exchange facility shall be only foreign institutions / organizations. It means individuals in a foreign country cannot be made the beneficiary. Also, such exchange facility is limited to US Dollar 2,500.

Aforementioned are the general regulations put in place by NRB for selling INR/FCY. In case of inward transactions i.e. purchase of INR/FCY through inward

remittances, no such cap is laid down for individual transaction by NRB however, it has set in place a rule of KYC (Know Your Customer) wherein banks/FIs are instructed to ensure the proper record of its customers.

As per International Labour Organization, Draft ILO Multilateral Framework on Labour Migration, Non-binding principles and guidelines for a rights-based approach to labour migration, Adopted by the Tripartite Meeting of Experts at Geneva, 31 October-2 November 2005 are:

1. Migration for employment is an important global issue, which now affects most countries in the world. Two major labour market forces are in operation today those results in increased migration for work. Many people of working age either cannot find employment or cannot find employment adequate to support themselves and their families in their own countries, while some other countries have a shortage of workers to fill positions in various sectors of their economies. Other factors include demographic change, socio-economic and political crises, and widening wage gaps within, as well as between, developed and developing countries. There is consequently much movement across borders for employment, with women independently migrating for work in considerably greater numbers than in the past and now comprising about half of all migrant workers.

2. Labour migration can have many beneficial elements for those countries which send and receive migrant workers, as well as for the workers themselves. It can assist both origin and destination countries in economic growth and development. While acknowledging the sovereign right of States to develop their own labour and migration policies, it is important to direct attention to the need to adopt coherent and comprehensive national policies to effectively manage labour migration and to protect migrant workers. Special attention should be given to the multiple disadvantages and discrimination often faced by migrant workers on the basis of gender, race and migrant status. Further, issues related to the movement of workers across national borders cannot be effectively addressed when countries act in isolation; hence, international cooperation in managing labour migration can be valuable in addressing national interests.

3. This non-binding ILO Multilateral Framework gives effect to the resolution and conclusions on a fair deal for migrant workers in a global economy, adopted by the 92nd Session of the International Labour Conference in 2004. Paragraph 23 of the conclusions states:

In order to assist member States to develop more effective labour migration policies, the tripartite constituents have agreed to develop a non-binding multilateral framework for a rights-based approach to labour migration which takes account of national labour market needs. Such a framework will be drawn from, and based on, available information on policy and best practices in countries engaged in international labour migration, existing proposals to enhance the economic benefits of labour migration, relevant international labour standards, the 1998 Declaration on Fundamental Principles and Rights at Work and its Follow-up, and other relevant international instruments.

Account should be taken in particular of the underlying principles of the Migration for Employment Convention (Revised), 1949 (No. 97), and the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143), and of accompanying Recommendations Nos. 86 and 151. If these Conventions have been ratified, they should be fully respected.

4. The ILO Multilateral Framework comprises non-binding principles and guidelines for labour migration. It is derived from extensive research, as well as compilation and review of labour migration practices in all regions of the world. It has been drawn from principles contained in relevant international instruments and international and regional policy guidelines, including the International Agenda for Migration Management. Governments and the social partners are invited to give effect to the principles and guidelines therein. Relevant instruments that relate to the principles are referenced below under the principles. The provisions of the Framework shall not limit or otherwise affect obligations arising out of the ratification of any ILO Convention. It is designed to provide practical guidance to governments and to employers and workers. Organization with regard to the development, strengthening and implementation of national and international labour migration policy can also guide other parties interested in labour migration issues.

5. In the broader context of commitment to promoting decent work for all, the Multilateral Framework aims to foster cooperation and consultation among and between the tripartite constituents of the ILO and the Office, and in partnership with other international organizations, to assist them in implementing more effective policies on labour migration, including on rights, employment and protection of migrant workers.

2.1.11 Scope of Nepal's Banking Industry

Regarding our remittance business, the formal channels used by workers sending remittances are retail transfer systems like Western Union, MoneyGram and IME. According to Pralhad Neupane of Annapurna Travels and Tours in Kathmandu, a Western Union agent, these systems offer a match for the hundi networks. All transactions are conducted digitally, Neupane says, allowing these systems to rival the speed and efficiency of the informal sector (taken from Himal South Asia Journal on Remittance Economy). After receiving a labourer's money in one country, a retail transfer agent enters the transaction into the network; in a matter of hours, the money is available at a company agent in the receiving country. With five principle agents in Nepal, Western Union is the largest money-transfer system in the country. Business has been so lucrative that a Nepali firm, IME, established in May 2000 as a foreign-currency exchange, decided in 2002 to begin repatriating the income of Nepali workers in Malaysia.

One of the largest advantages the hundi networks in Nepal have long held over the formal sector has been their access and reaches into rural areas. In May 2005, Nabil Bank made an agreement with the Agricultural Development Bank (ADB) to act as sub-agents for Western Union in rural Nepal. With over 400 branches in rural Nepal, the ADB's extensive coverage dramatically increases the formal sector's reach and accessibility. Further, to encourage migrant workers to use these official channels, Nabil Bank now allows for special remittance accounts – available only to those who send or receive remittance transfers, and which can be opened for as little as one rupee. According to those working within the formal sector, the biggest reason that people are still using informal remittance methods is simply a lack of awareness. Often, migrant workers have never dealt with financial institutions; they do not have

accounts in them, and are unaware as to how they work. Banks believe they are now succeeding in attracting more workers partially due to awareness and marketing campaigns, but also due to the perceived unreliability of the hundi networks.

Due to the lack of established hundi networks in the Middle East, an estimated 70 to 80 percent of remittances are coming through formal channels. This dynamic has also been increased in Malaysia, due to the presence and recognition in that country of Western Union and IME; the latter alone boasts a customer base of over 120,000 Nepali workers in Malaysia. Since 1999, up to forty percent more workers were using the formal sector in 2011/12. Bhuwanesh Pant emphasises that in order to encourage local financial institutes to take on the remittance business, Nepal Rastra Bank provides 15 paisa per US dollar as commission to licensed private firms, in addition to the prevailing buying rate. With Western Union taking 50 percent of the profits in each transaction, keeping this profit in Nepal is a lucrative deal for both Nepali businesses and the country's economy. Along with IME, the Himalayan Bank has also started its own transfer system. The financial sector of Nepal is regulated by Nepal Rastra Bank. Any new activity or service offered to the market is first proposed to NRB. Only after the acceptance of NRB can the banks undertake such activities.

2.1.12 Nepal's Dependence on Exporting Labour

Nepal is one of the world's poorest countries, with a population of around 31.51 million and a per capita income of US\$735. It is also landlocked, between India and China, and mountainous, situated between the Himalayas and the plain of the Ganges River. Agriculture remains a major source of livelihood, and tourism is also important. But one of Nepal's major exports is labour, and most rural households now depend on at least one member's earnings from employment away from home and often from abroad.

In the last five years, the importance of foreign labour migration to the Nepalese economy has increased as numbers of Nepalese leaving to find work abroad have

soared. The total volume and value of remittances from Nepali workers abroad has increased significantly; remittances are possibly as high as 100 billion NRs (over US\$1.5billion).

Migration continues partly because of growing insecurity in Nepal's rural areas as the Maoist insurgency has come to control large parts of the countryside. In addition, Nepalese must confront a lack of economic opportunities at home and increasing opportunities abroad. Indeed, there has been much talk in Nepal recently of "internal displacement" and "forced migration" as a result of the conflict. Certainly, some of the better-off Nepalese in rural areas have been displaced. But it is difficult to distinguish those seeking to avoid the conflict from the bulk of economic migrants because the rural areas are so impoverished and because there has been little research on internal migration.

The failure to create and implement a coherent overall development strategy mobilizing all of Nepal's resources — including effective education, training, and manpower planning for human resource development — has led to low rates of growth and high levels of unemployment and underemployment in what remains a largely subsistence agriculture, handicraft, and service-based economy, with around 40 percent of the population below the poverty line. Hence, the massive upsurge in migration from rural areas to cities and other countries.

The implications of this situation are far-reaching for Nepal as a whole, for the structure and dynamics of regional and local economy and society, and — perhaps most of all — for households and individuals all over the country, both those directly involved in foreign labor migration and those left behind.

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Official statistics seriously underestimate the number of Nepali migrant workers abroad and both the volume and value of remittances flowing back into Nepal from

those workers. Original research by the authors suggests that many migrant workers abroad are working illegally and unofficially, and that the bulk of remittances also flow back into Nepal informally and illegally. The scale of remittances, consequently, is at least ten times greater than official estimates indicate (equal to 13 percent of GDP) and quite possibly twenty times greater (equal to 25 percent of GDP). This indicates the need for a thorough reconsideration of Nepal's balance of payments. The authors illustrate how remittances flow back into Nepal unevenly, contributing to growing inequalities, both between regions and between social classes.

The contribution made by remittance in poverty reduction, experts today said that had the amount of remittance stayed unchanged over the last eight years, poverty would have declined by mere 3.9 percentage point and not 11 percentage points, as recorded. Moreover, if remittance amount from abroad had stayed the same, poverty would have declined by just 4.8 percentage point. With the pay hike of servicemen in India, remittance of Gurkha soldiers serving in the Indian army, too, has gone up significantly. Besides these formal announcements, studies suggest that remittance (that is, earning by Nepalese nationals working abroad) has become the highest earning sector of foreign exchange in the country's economy.

2.2 Review of Previous Studies

2.2.1 Review of Articles

Before writing this thesis many books, magazines, websites and some previous thesis submitted has been studied regarding the various aspects of banking and some of them are as follows. A study conducted by Boss-KFA Research "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 war between Maoist and Nepal Army. 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 economic challenged 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 ranging 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 320 Billion in Fiscal Year 2012.

Different research papers, journals, survey reports and articles of Nepal Rastra Bank, International Monetary Fund, ILO and other related organization's regarding the remittance and other relevant data have enlightened upon this research for further detailed, precise and efficient data required.

Gurung & et. al. (2011) has conducted a study on "Remittance". This study has mentioned that remittance has recently become a major income source of rural economy in Nepal. Officially 285 persons (unofficially approx. 40-80 persons more) leave everyday from Nepal to work mainly in Gulf countries and Malaysia. Due to open border and recent conflict in Nepal, undocumented migration from villages of Nepal to India has rapidly increased. This case study has been designed and conducted in two villages namely Kalabang (inhabited by Gurungs and Dalits) and Pumdi (inhabited by Brahmin and Chhetri) of Kaski district. Therefore, this study does not include total volume of remittance flow in Nepal. This study has shown the comparative migration patterns of two villages and impact of remittances at household level. The procedure of money transfer and impact of the remittances to the household in particular and to the local economy has been shown in this study. Poudel, Y. (2009) has conducted a study on "Remittance Income in Nepal: Need for Economic Development". Researcher has included the significance and the importance of remittance in Nepal or should say for the developing countries. He has pointed out the fact that remittance is a very important tool for the economic

development. He has also mentioned the contribution of remittance to the GNP of the nation. Year by year the contribution to GNP has been increased. He has compared remittance with the foreign direct investment.

Researcher has concluded that remittances and grants are claimed as an important source of increasing foreign exchange earnings in Nepal. Moreover, remittances may be a dependable source of national income for economic development if there is job guarantee for the workers with the wage level equivalent to the residence of the foreign country. Furthermore, the young and energetic generation remaining outside should be attracted to come back again with skilled knowledge and experience and to provide the way for utilizing their remittances in productive sector. Thus, remittance received so far taken by the country is considered as boon, and the government should pay attention to make workers confidence to deal with whatever anomalies arise in working places. Besides, the policy of providing permanent residence in outside for retired workers should be amended to continue the source of increasing remittance flow in Nepal.

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

A study conducted by Glinskaya, Elena; Bontch-Osmolovski, Mikhail and Lokshin, Michael "Work-related migration and poverty reduction in Nepal" in 2010. Using two rounds of nationally representative household survey data in this study, the authors measure the impact on poverty in Nepal of local and international migration for work. They apply an instrumental variable approach to deal with non random selection of migrants and simulate various scenarios for the different levels of work-related migration, comparing observed and counterfactual household expenditure distribution. The results indicate that one-fifth of the poverty reduction in Nepal occurring between 1995 and 2004 can be attributed to increased levels of work-related

migration and remittances sent home. The authors also show that while the increase in work migration abroad was the leading cause of this poverty reduction, internal migration also played an important role. The findings show that strategies for economic growth and poverty reduction in Nepal should consider aspects of the dynamics of domestic and international migration.

Seddon & et.al. (2011) has conducted a research entitled "Foreign Labor Migration and the Remittance Economy of Nepal". In this study authors have mentioned the number of foreign labour migration and the remittance received from the different country. This study has showed the value of remittance to rural households. The study has covered the unrecognized remittance economy of Nepal as well. Researchers have requested government to establish that type of system which helps to recognize these types of unrecognized remittance flow in Nepal.

Dahal, R. has conducted a research entitled "Nepal's Remittance Bonanza" in 2009. This study has highlighted the fact that Nepalese working abroad earns more hard currency for their home country than all exports, tourism and foreign aid put together. Study has mentioned that in past no one was marking the data of labour migration and the remittance flow in Nepal. However, mainly from 1982, government has recorded the flow of remittance and the number of people migrating from the country. Before 1982, only the remittance send by Gurkhas are recorded. But now, remittance send by all people have been recorded. It has also showed the data of remittance sent by Gurkhas. However, this study doesn't mention all the remittance received in the recent years as this study is made a long time before.

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

increment showed by Nepal Rastra Bank in remittance field must be less than what it should be due to the informal channels.

Singh, P. (2010) has conducted a research entitled "Remittance Economy" and was published in Himal South Asian Magazine. Article has mentioned that the huge numbers of Nepalese people are migrating every day. The study has mentioned the reason behind this migration is not finding the satisfactory work in the country. Many people are migrating to the abroad in search of opportunities. Nowadays, the flow of remittance has been mostly under formal channels as the informal channels are out of date. However, a person who does not want to pay the commission charge to the institutions uses the informal channels.

Kollmair, M. & et.al. (2011) has conducted a research entitled "New figures for old stories: Migration and remittances in Nepal" (www.migrationletters.com) encompasses the article on insufficient documentation of Nepalese Migrants Data and remittance received. As labour migration and remittances are major economic mainstays for Nepal's economy. But there is still insufficient documentation on scale and significance of this process. Estimations of migration figures suggest that real numbers are several times higher than official statistics show (*Migration Letters*, Volume: 3, No: 2, pp. 151 – 160. October 2011). Migration to the neighbouring country India has a longstanding history, while migration to the Gulf and Tiger States, Europe, or USA only commenced about 15 years ago. There is little documentation of the movements of migrant workers and their remittances and national census data has been criticized to understate migration numbers (Seddon et al., 2010; Graner and Gurung, 2011).

Estimations of migration figures suggest that real numbers are several times higher than official statistics show. Seddon et.al. (2010) estimate that there are approximately 2.3 million Nepalese emigrants working in India. In India Nepalese immigrant associations estimate the number of Nepalese as up to 3 million (Theme, 2012). Following these estimations, the number of Nepalese in India would be about two to five times higher than official statistics show. For migration to Gulf states, official sources such as the national census speak of 460,000 migrants (HMG et al., 2012) in 2012, and the Ministry of Labour and Transport registered only slightly less than

404,000 migrants (Graner and Gurung, 2011; Subedi, 2011). Estimates, however, suggest that between 400,000 and 600,000 persons are working in Gulf countries (Graner and Gurung, 2011: 299). Considering the estimations for India and the Gulf States, the percentage of the total population absent from Nepal would be between 6.5 and 14.7 %, compared to the officially recorded 3.3%. Officially the total value of international remittances was according to the NLSS 2011/12 (CBS et al., 2012) 320 Billion NRs. However informal remittances are estimated for 2012 between 290 and 300 Billion NRs (Graner and Seddon, 2012).

The main reasons for this discrepancy between official and estimated numbers can be assumed in:

- i. Migration between India and Nepal is mostly not documented due to migration across the open border especially since there is no need of passport and visa for cross-border movement.
- ii. Migration to India is often seasonal. Therefore, depending on the season of the year during which enumeration takes place the number of people at home or absent varies.
- iii. A large section of foreign employment to countries other than India, such as Gulf and Tiger States, is often illegally and undocumented.
- iv. Remittances are mainly sent informally with friends and kin, hampering statistical documentation of migration.
- v. Another undocumented dimension of employment is trafficking. It is estimated that about 5,000 to 7,000 girls are trafficked from Nepal to India and other neighbouring countries every year.

2.2.2 Review of Previous Thesis

Dawadi, R. (2008) has conducted the study on the topic of “A study of Remittance of Nepal”. The main objectives of study are:

- i) To examine the role of remittance income for economic development of the country.
- ii) To analyze the socio-economic implications of remittances in Nepal.
- iii) To compare the relationship between remittance income and foreign direct investment in Nepal.

- iv) To measure the statistical relationship of GDP among workers' remittances, grants and pensions in Nepal.
- v) To provide suggestions and recommendations to the concerned person to increase the flow of remittance.

The conclusion of the study is:

Remittance has played a great role to sustain or maintain the economy as well as it helps to boost the economy of the country. In the difficult situation of the country where there was the internal war between Maoist and the Government many business suffered. However, due to good volume of flow of remittance, the economy of the country was well placed. Remittance prevents economy to suffer from the internal war in the nation. Therefore, government should look into the possibilities to improve the remittance field in Nepal by imposing less tax.

Tandukar, A. (2010) has conducted the study on the topic of "Role of Remittance in Developing Countries; A study of its effect on Nepalese Economy". The main objectives of study are:

- i) To point out the situation of migration and foreign employment of Nepal.
- ii) To highlight the prevailing practices and provision of remittance of Nepal.
- iii) To assess the impact of remittance on Nepalese Economic Environment.
- iv) To study about both the micro and macro economic implications of the inward remittances and its contribution in our Gross Domestic Products.
- v) To draw the picture of the effect of remittance on economy and provide useful workable suggestion.

The conclusion of the study is:

With the rise in the number of migrants and the consequent rise in remittances, the NRB has been able to build official reserves to adequate levels, reducing its vulnerability to external shocks. The rising remittances have created a surplus in the current account, subsequently strengthening the overall balance of payment position. The effect of remittances on poverty reduction at the national level has been positive.

Subedi, R. (2011) has conducted the study on the topic of "A study on Remittance Business of Nepal Investment Bank Limited". The main objectives of study are:

- i) To have an in depth understanding of remittance business (inward/inbound and domestic) at Nepal Investment Bank Ltd.

- ii) To examine the role of remittance income for economic development of the country.
- iii) To give proper and feasible recommendations, strategic options of NIBL on the basis of the in depth study undertaken to increase remittance business.

The conclusion of the study is:

Remittances are becoming important to the receiving countries at the micro and macro level. They increase both the income of the recipient and foreign exchange reserve of the recipients' countries. Moreover, remittances can generate positive multiplier effect in output of 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.

Regmi, P. (2012) has conducted the study on the topic of "A study on Remittance Business of Nepal Investment Bank Limited". The main objectives of study are:

- i) To have an in depth understanding of remittance business (inward/inbound and domestic) at Nepal Investment Bank Ltd.
- ii) To examine the role of remittance income for economic development of the country.
- iii) To give proper and feasible recommendations, strategic optins of NIBL on the basis of the in depth study undertaken to increase remittance business.

The conclusion of the study is:

Nepal is receiving higher remittance and the remittances are increasing every year. The highest remittance received is in the year 2010/11 which is Rs. 231725.3 thousands and lowest remittance received is in 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 in Nepal. As remittance contributes to GNP (Gross National Product), government should encourage foreign employment.

2.3 Research Gap

This study has highlighted the remittance flow from India as well as other countries. 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, this research tried to make a focus on the outward remittance although the volume of outward remittance is not so large like the inward remittance but the researcher 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, this research had 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

This chapter has a fine blend of the overall approach of the research process, from the theoretical support to the collection and analysis of data.

3.1 Introduction

The main objectives of this study are to examine the impact of the contribution made by the inward remittances sent by the workforce in the economic development of the country. To achieve these objectives, the study requires an appropriate 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. Therefore, this chapter highlights about the methodology adopted in the process of present study.

Research is the process of a systematic and in depth study of any subject backed by the collection, compilation, presentation and interpretation of relevant details or data. It gives a detailed investigation of the existing problems, practices or processes. The benefits of research knowledge to managers may help for identification of the problem and analyzing amount of risk in decision making etc.

3.2 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 (1996), “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 following questions:

- What the researcher wants to know?
- 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 (2003), “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.

This study has used the analytical and descriptive research design.

3.3 Population and Sampling

The population and sample of the study are all the offices which works in remittance listed in Nepal Rastra Bank.

3.4 Sources of Data

This study is completely based on secondary data. For the purpose of presentation of data, following secondary are used in this study:

- Books

Many books by many authors may be the source for researcher for collecting the secondary data. Books could have the detailed information regarding the topic chosen by the researcher.

- Articles and Magazines

Articles and magazines may be the sources for collecting the secondary data. When the researcher needs the necessary information about any project they can easily obtain the necessary information through articles and magazines. Thus articles and magazines may be the sources for collecting the secondary data.

- Website and Internet

This is also one of the sources of collecting the secondary data. Many organizations have their own website and all the details are kept on the website. By using the website and internet the researcher can easily collect the necessary information via website and internet. Thus website and internet can be the sources of collecting the secondary data.

- Statistical Published Data

Statistical published data may be the sources of collecting the secondary data. In the various time intervals the organization publishes their statistical data for the public by using these data the researched can collect the necessary data.

3.5 Data Collection

Collecting data is the connecting link to the world of reality for the researcher. The data collection activity consists of taking ordered information from reality and transferring it into some recording system so that it can later be examined and analyzed for pattern.

In order to fulfil the objectives of research, researcher has collected data from primary and mainly from secondary sources. Various methods are available in order to collect the data.

After developing scheme researcher followed different procedures:

- Prior approval of the sampled organizations was taken.
- The researcher visited the sampled organization.
- Researcher asked some question which relates to topic with the concerned person.
- Then after researcher got right response and got answer back.

3.6 Techniques of data presentation

One of the popular techniques of data presentation is tabulation. Tabulation is the process of arranging the data in an orderly manner into rows and columns. The purpose of tabulation is to simplify the presentation of data to facilitate comprising between related information. Similarly, another way of data presentation is diagram. It is the presentation of statistical data in the form of geometrical figures like points, lines, bar, pie etc. Likewise another way of data presentation is graphic. It is also the presentation of the statistical data in the form of geometrical figures. Histogram, frequency, polygon, frequency curve etc are the examples of graphic from which we can present the data in smooth way. Above are the popular methods / techniques of data presentation for any purpose. However, in this research, figures and tabulation has been used to present the data.

3.7 Analytical tool

After the collection of data, another step is to analyze it. Since, huge and wide masses of data are confusing and difficult to remember, the data representing the required value for the study purpose can only be used by different analytical tools.

Trend analysis has been adapted to measures the trend behaviors of remittance received. The method is widely used in practices. The straight-line trend of a series of data is represented by the following formula.

$$Y_a = a + bX$$

Here, y is used to designate the trend values to distinguish them from the actual Y values, a is the Y intercept or the computed trend figure of the Y variable X=0, b

represents the slope of the trend line of the amount of change in Y variable that is associated with a change of one unit in X variables in time series analysis represents times.

As this paper is based on theoretical concept not figurative data, not much complicated calculation are needed to the simple calculation like ratio, percentage, etc are made with the help of ordinary calculator. The MS Excel used to estimate the simple correlation coefficient.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

This chapter deals with comparative analysis and presentation of available data as express in the research methodology. Necessary figures, tables, various tools and techniques are also presented in this chapter to describe and analyze the study. The researcher has analyzed and interpreted the relevant data related to country wise remittance, by applying the following activities to judge the relationship between remittance and its impact.

4.1 Contribution of Remittance to GNP

Remittance as major component of current account 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.

Initially, the share of remittance to GNP was found 11.46 percent in mid-July 2006. This share increased after the period of mid-July 2003 and eventually reached to 12.05 percent in mid-July 2005. On average, the share of remittance to GNP was 16.36 percent during the review period from mid-July 2003 to 2010. Under the transfer category of BOP, remittance income increased by 42 percent in comparison to 2007 totalling Rs.142.68 billion in 2008 due to the increasing trend of Nepali workers going to Malaysia and Gulf countries for employment (MOF 2008). During that period, the grants and pension also increased by 15.23 percent and 45.24 percent. In 2009, 2010, 2011 and 2012 remittance increased by 46.97, 10.50, 9.42 and 26.36 percent respectively. The Data show that the percentage of share of remittance to GNP is higher which is not favourable for long term economy. But also analysis clears that the remittance income has become an important contributor (64.72 percent) to the current transfers in balance of payments of Nepal. Current account consists of services net, income net and transfer net in BOP.

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Share of Remittance to GNP

(Amount in Million)

Mid	Grants	Workers'	Pensions	Others	Total	GNP at	Share of
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Year		Remittance				Current Price	Remittance to GNP
2003	13842.2	54203.3	7327.3	2392.3	77765.1	472869	11.46
2004	19557.8	58587.6	7906.2	3110.2	89161.8	509700	11.49
2005	21067.2	65541.2	12496.4	2104.8	101209.6	543902	12.05
2006	23152.4	97688.5	14249.3	2352.2	137442.4	598450	16.32
2007	18218.2	100144.8	12937	1896.8	133196.8	595250	16.82
2008	20993.2	142682.7	18789.9	2997.1	185462.9	649947	21.95
2009	26796.2	209698.5	17755.4	3211.2	257461.3	989144	21.2
2010	26673.6	231725.3	25850.7	3521	287770.6	1182272	19.6
2011	25780.0	253551.6	28993.4	2831.7	311156.70	1137003	22.3
2012	32293.1	320379.8	25774.	3189.7	381636.6	1302357	24.6

Sources: Economic Survey (various issues), Ministry of Finance, Government of Nepal, Main Economic Indicators (May-July), 2012, Monthly Report, NRB: Research Department, Kathmandu

The above table shows the share of remittance to Gross Neational Product of Nepal. It has shown that share of remittance to GNP is increasing year by year from 11.46% to 24.6%

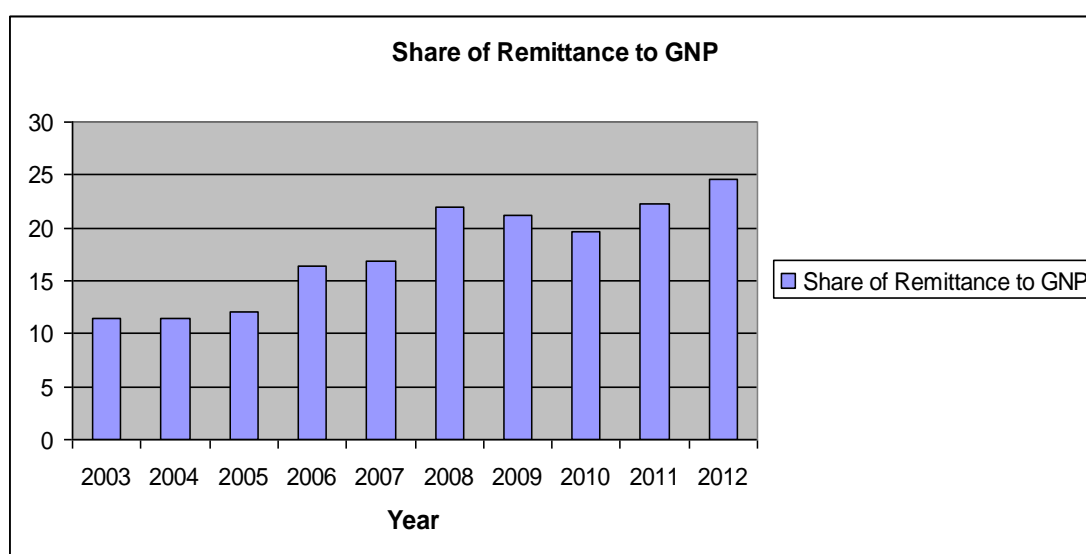


Figure 4.1: Year wise Share of Remittance to GNP

As per the above graph, we can see that the share of remittance to Gross National Product (GNP) has been slightly increased year by year. In the year 2003, we can see

that the share of remittance to GNP was 11.46 percent. Year by year the contribution of remittance to GNP has been steadily increased and reached to 22.30 percent in 2011. And in 2012, it has decreased a little bit but contributed high percentage in total. Therefore, this study has showed that remittance has a huge impact on the Gross National Product of the country.

4.2 Percentage Increase in Remittance

If we observe the economic growth rates of some SAARC countries in 2012, we find the highest growth rate (7.5 percent) of Sri Lanka and the lowest growth rate (3.4 percent) of Pakistan. Bhutan has received the second position (7.0 percent) then India (6.9 percent) and Bangladesh (5.9 percent) (World Economy outlook, 2011). Nepal (3.9) has second lowest economic growth in 2012. Remittance is one of the most important facts that are helping to increase the economic growth of Nepal. Nepalese going abroad are not only for armies but also spread all over the world for work and mostly they are concentrated in Gulf areas in civilian front (Kshetry, 2010).

Nepal is a developing country and remittance is playing a big role in increasing the GNP. Nowadays, many people are migrating from Nepal to abroad (usually young ones) and the number of remittance is increasing year by year. The remittance income has reached around 320 billion in year 2012. The percentage increasing year by year is shown below in table.

The Central Bank data revealed that the overall remittance inflow during the first six months in the fiscal year dropped by 11 per cent to remain at around NR 27 billion as compared to same period last year. The declines during the first, third, fourth and fifth months of the current fiscal year were 17.3 per cent, 17.6 per cent and 12.6 percent, respectively. The overall remittance inflow during 2012 was recorded at NR 320 billion. According to a government official, the declining inflow of remittance from India, which contributes to one fourth of the total remittance, is one of the reasons behind decline in percentage overall remittance inflow in 2010 and 2011. In 2012, remittance inflow increased to 26.36 percent. Tremendous increase in remittance received was noted during 2005/06 & 2008/09 which was 49.05% and 46.97% respectively.

Table 4.2
Percentage increase in Workers Remittance

NR in thousand

Mid Year	Workers' Remittance	Increase in percent
2003	54203.3	-
2004	58587.6	8.09
2005	65541.2	11.87
2006	97688.5	49.05
2007	100144.8	2.51
2008	142682.7	42.48
2009	209698.50	46.97
2010	231725.30	10.50
2011	253551.60	9.40
2012	320379.8	26.36

Source: The updated information on remittance was shown in the official site www.nrb.org.np of Nepal Rastra Bank (the central bank of Nepal).

The above table shows the inward remittance of Nepal from 2003 to 2012 AD. The inflow of remittance is increased in year 2004 by 8.09% and has gone in increasing order until 2006. In year 2007 it has declined to 2.51 % and again increased by 42.48% in year 2008 and increased to 46.97 % in year 2010. In year 2010 it has decreased to 10.5% and another year i.e. in 2011 again decreased to 9.40%. In year 2012 it is increased to 26.36%.

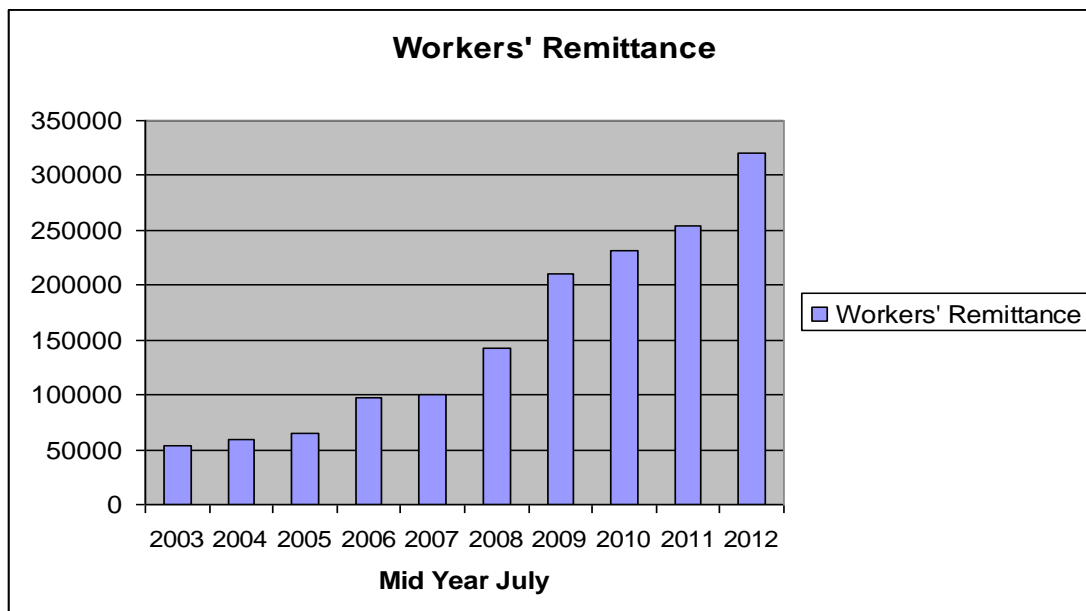


Figure 4.2 Year wise percentage increase in workers remittance

The above graph has showed that the remittance has been increasing year by year. In year 2002 the remittance was around 48 Bio and it is 320 Bio in the year 2012. The increment of remittance in percentage is 8.09 in the year 2003/2004 and it has reached to 46.97 percent increment in the remittance in year 2009. The amount of remittance increased but the percentage decreased in 2010 and 2011. But the amount and percentage of remittance increased in 2012 by 26.36%.

4.3 Remittance Growth

Measuring with an economic yardstick, remittance is found to have different effects at various levels. From the micro-level i.e. household level, it helps increase income and consumption smoothening and shows increased saving leading to higher living standard of dependents. At macro level, remittance inflow helps increase the foreign exchange reserve of the country and at the same time becomes instrumental in developing local commodity markets and local employment opportunities, ultimately resulting in economic prosperity of the entire country. Remittance has indirect linkages to several economic factors. In a labour intensified market like ours, there normally exists a conflict between two schools of thoughts. International remittance is only possible when there are abundant migration opportunities. This is what Nepal is currently witnessing. Most Nepalese are happy to work abroad to assists their

dependents. There is another segment of white-collar workers such as doctors, engineers and other professional migrating abroad from Nepal in search of better opportunities. While the first school of thought suggests that the migration process results in hampering the development of a country in the long run due to brain drain: the other school of thought suggests that the process of migration will result in positive economic growth.

4.4 Remittance to Rural Households

According to National Living Standards Survey, 23 percent of all households surveyed received remittances. In the rural areas the proportion of households receiving remittances was 24 percent. Similarly, 38 percent of all remittances came from India, 32 percent from other rural areas within Nepal and 26 percent from urban areas within Nepal. Remittances from the countries other than India accounted for nearly 3 percent of all remittances. In the rural areas, 40 percent came from India, 3 percent from "other countries" and around 58 percent elsewhere in Nepal.

Table 4.3
Remittances to Rural Households

Sources	No. of Remittances	Value of Remittances
India	40 %	33 %
Other Countries	3 %	22 %
Urban Nepal	25 %	33 %
Rural Nepal	32 %	12 %

Source: National Living Standard Survey

Total 33 percent of all households receive remittance; out of which 40% of remittance came from India and 3% came from other countries. 25% of the remittance has been come from the urban areas and the 33% of remittance came from rural areas in Nepal. This data has informed us that most of the people who live in the rural areas migrate to the India because of no border with some places of Nepal and only some of the people migrate to the other countries. A big proportion of remittance to rural households comes from urban as well as from rural areas of Nepal itself.

The flow of remittances into rural areas in Asia is among the highest. This is partly because half of Asian countries are 65 per cent rural. The impact of remittances among Asian developing countries is greater than in other parts of the world: in Asian countries that are 65 per cent or more rural, the ratio of remittances per capita to per capita GDP is 23 per cent and the highest in the world.

4.5 Remittance received by Asia and the Pacific

If we observe the economic growth rates of some SAARC countries, we find the highest growth rate (7.5 %) of Sri Lanka and the lowest growth rate (3.4%) of Pakistan. Economic growth rate of Nepal is 3.9%. Bhutan has received the second position (7.0 %) then India (6.9 %) and Bangladesh (5.9%) in 2012.

There are over 50 million migrants from Asia and the Pacific worldwide. Their main destinations are the United States, the Russian Federation and, in the case of the Pacific, New Zealand. Emerging destination countries from India – the region's main exporter of migrants, with 22 per cent of total migrant – include Malaysia and the Arab oil exporting countries. There is also significant intraregional migration to Australia, China (Hong Kong), Japan and Singapore, while Central Asian migrants go predominantly to the Russian Federation and Kazakhstan.

Asia receives almost US\$ 204 billion in remittances annually – the highest regional total in the world. India and China are the top recipient countries, receiving US\$ 64 billion and US\$ 62 billion respectively. Transfers make up 23 per cent of regional per capita income. Remittances to the smaller economies (the Philippines, Indonesia, Nepal and Tajikistan) constitute between 20 per cent and 70 per cent of per capita income. On average, remittances in Asia are 2 per cent of GDP and 15 per cent of exports.

The marketplace for money transfers is mixed, with a competitive industry sending money predominantly from China (Hong Kong), the Russian Federation and Singapore, and a less competitive and overly regulated corridor from Japan and Malaysia. Parallel to these industries are informal money transfer businesses coupled with the widespread practice of hand-carrying money when travelling. In turn,

transaction costs vary significantly. Remittances to Central Asia, for example, are among the lowest (if not the lowest) in the world, at an average of 3 per cent per transaction. In some parts of Asia transfers are influenced by technological innovation, as in the case of mobile phone transfers in the Philippines.

Access to banking and other financial services varies greatly within the region. In many Asian countries migrants and their dependents do not have access to basic financial services. South-East Asians (Filipinos and Indonesians for example) have more financial opportunities than those living in countries like Tajikistan and Kyrgyzstan, where less than 10 per cent of inhabitants have bank accounts. Similarly, only 11 per cent of Indians in the state of Kerala have bank accounts.

Table 4.4
Remittance Received by South Asia

South Asia	Remittance (US\$ Million)	(%GDP)
Afghanistan	6252	-
Bangladesh	8828	13.54
India	64102	2.68
Sri Lanka	5456	11.52
Nepal	3203	24.6
Pakistan	10546	6.23
Total	92931	

Source: www.worldbank.com

The above table shows the remittance by South Asian countries. According to this table among South Asian countries India has received the largest amount of remittance and least by Nepal.

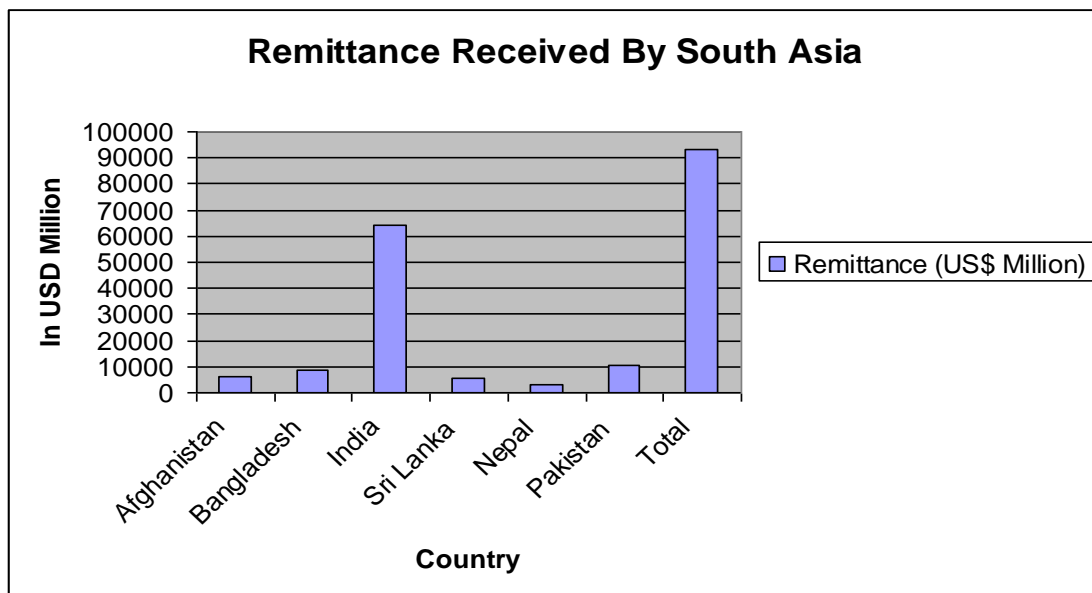


Figure 4.3 Bar diagram of Remittance received from south Asian countries

As we can see in the above figure that India contributes a huge number of remittances from the South Asia region. The total remittance received from South Asia region is around USD 93 K Million in which India has contributed around USD 64 K Million which is around 69 % of the total remittances received from South Asia. Nepal also lies in the South Asia region. As we know it is very small and developing country, it has generated remittance amounting to USD 3.20 K Million which is less than other remaining countries of South Asia listed in the table 4.4

Remittance Received by East Asia can be shown in the following table

Table 4.5

Remittance received from East Asia

East Asia	Remittance (US\$ Million)	(% GDP)
China	62215	0.82
Mongolia	438	7.93
DPR of Korea	2956	1.47

Source: www.imf.org

Table 4.5 shows the remittance received from East Asia. As per the table, we can see that the total remittance received is USD 65 K Million in which the main contributor is China. China has contributed around 94.83 % of the total remittance received by East Asia. The other two contributes negligible in comparison to China.

Remittance received by Central Asia can be shown in the following table

Table 4.6
Remittance received by central Asia

Central Asia	Remittance (US\$ Million)	(% GDP)
Kazakhstan	5042	6.55
Kyrgyzstan	904	30.42
Tajikistan	1105	35.37
Turkmenistan	388	3.38
Uzbekistan	3048	16.90

Source: www.imf.org

As per the table, we can see that Central Asia has received the remittance of USD 10 K Million. From Central Asia, Kazakhstan has contributed more. The contribution percentage of Kazakhstan is 48 % i.e. slightly less than the half of the total. Uzbekistan has also contributed good number of remittance amounting to USD 3 K Million which is 29 % of the total. Tajikistan has contributed USD 1 K Million and Kyrgyzstan and Turkmenistan contributes very less amount to Central Asia.

Remittance received by South East Asia can be shown in the following table

Table 4.7
Remittance received by South East Asia

South East Asia	Remittance (US\$ Million)	(% GDP)
Indonesia	4055	1.08

Cambodia	587	7.20
PDR of Laos	1280	33.50
Myanmar	558	3.4
Malaysia	2404	1.65
Philippines	15112	11.90
Thailand	2530	1.18
Timor Leste	68	16.80
Vietnam	7026	12.30

Source: www.adb.org

South East Asia contributes the inward remittance of USD 33 K Million. Among the South East Asian Countries, the main contributor is Philippines. It has contributed USD 15 K Million in the mentioned year. The percentage contributed by Philippines is 45 %. After Philippines, Vietnam has contributed more. Vietnam has earned around USD 7 K Million. Indonesia and Thailand has also contributed USD 4 K Million and USD 2.5 K Million respectively. Others have contributed some portion of the total.

Remittance received by Pacific regions is shown in the table below

Table 4.8
Remittance received by Pacific regions

Pacific	Remittance (US\$ Million)	(% GDP)
Fiji	587	-
Papua New Guinea	163	12.90
Tonga	158	2.95
Samoa	403	11.50

Source: www.imf.org

In above table, the amount of remittance received by the Pacific region is negligible as compare to the other regions of Asia. However, it has contributed around USD 1.3 K Million. Among this, all have concluded some portion of the total. But the main country of this Pacific region to contribute huge number of remittance is Fiji. It has contributed USD 587 Million which is equal to the 45 % of the total.

In aggregate, when we see the remittance received by the Asia and Pacific after summarizing to the region wise we can arrange the table as below:

Remittance received by Asia and Pacific is shown in the following table

Table 4.9
Remittance received by Asia and Pacific

Asia & Pacific	Remittance (US\$ Million)
South Asia	78133
East Asia	72132
Central Asia	34131
South East Asia	16264
Pacific	4243
Total	204903

Source: www.imf.org

The above table shows the remittance received by different Asian regions and Pacific area. According the table, East Asia has received the largest amount of remittance whereas least by pacific regions.

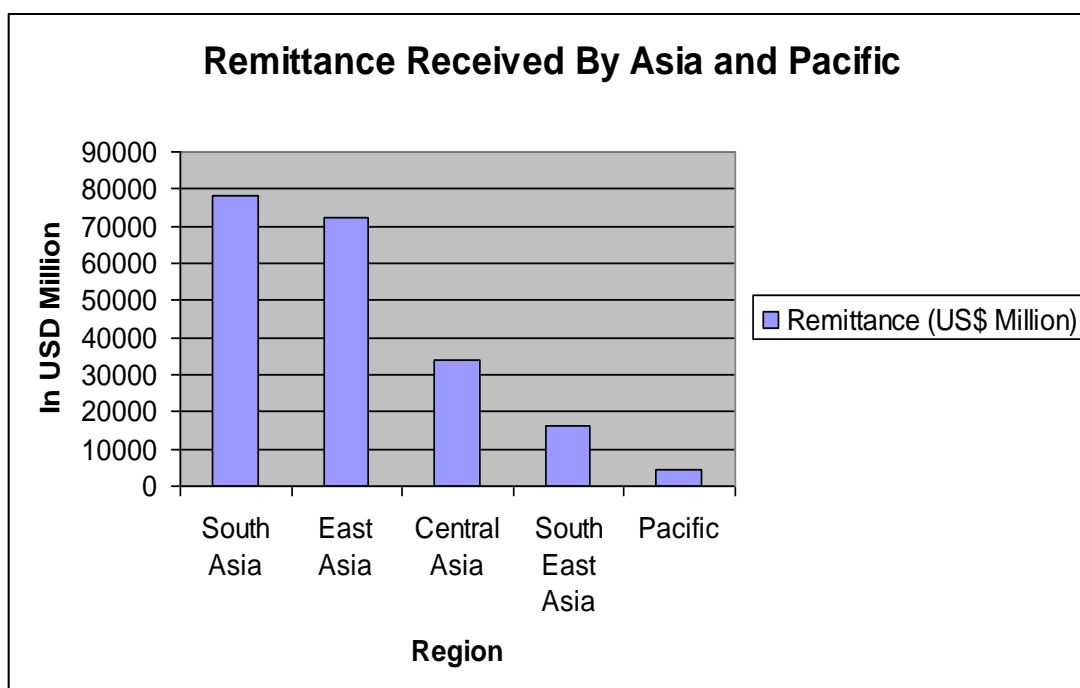


Figure 4.4 Bar diagram showing remittance received by Asia and Pacific

From above figure we can see that remittance is highly received from South Asian region. It has contributed around USD 78 K Million. After South Asia, South East Asia has contributed more. The contribution amount is USD 72 K Million. From South Asia region, India has contributed more than the others. Nepal has contributed USD 3.2 K Million to the South Asia.

From East Asia region, China has contributed a huge number of remittances. The contribution amount is USD 72 K Million as you can see in Table-2. In the Central Asia, you can see in the Table-3 that Kazakhstan has contributed around USD 16 K Million. The second highest remittance generator in Asia region is South East Asia in which the main country to contribute in this region is Philippines amounting to USD 1.5 K Million.

4.6 Inward and Outward Remittance

As per the report submitted by Development Prospects Group, the ratio of increment in the inward remittance is the much higher than the ratio of increment in the outward remittance from the year 2003 to 2012. In year 2001, the inward remittance was only USD 147 Million. However, in year 2012, it has been increased to USD 4,435 Million. Looking to Outward Remittance, in 2003, it was USD 26 Million which has been increased to USD 20 Million in year 2012.

Table 4.10
Inward and Outward remittance

In US \$ Million		
Year	Inward Remittance	Outward Remittance
2003	771	26
2004	823	64
2005	1212	66
2006	1453	79
2007	1734	4
2008	2727	5

2009	2986	12
2010	3469	14
2011	4217	18
2012	4435	20

** This table reports officially recorded remittances. The true size of remittances, including unrecorded flows through formal and informal channels, is believed to be larger. Sources: Development Prospects Group.*

Table 4.10 shows that the level of inward remittance has been increased at a huge proportion than the outward remittance from the year 2003 to year 2012. In year 2012, the inward remittance has move to USD 4,435 Million. Moreover, the expectation is that in next year, the remittance would be increased much more. So, this graph illustrates that we are highly receiving the remittance from the different countries which will obviously help in the economy of the country.

4.7 Worldwide remittance flows to developing countries

Remittances, the portion of migrant workers' earnings sent back home to their families, have been a critical means of financial support for generations. But, for the most part, these flows have historically been “hidden in plain view”, often uncounted and even ignored. All that is now changing – as the scale of migration increases, the corresponding growth in remittances is gaining widespread attention.

Today, the impact of remittances is recognized in all developing regions of the world, constituting an important flow of foreign currency to most countries and directly reaching millions of households, totalling approximately 10 per cent of the world's population. The importance of remittances to poverty alleviation is obvious, but the potential multiplier effect on economic growth and investment is also significant.

The driving force behind this phenomenon is an estimated 180 million migrants worldwide who sent more than US\$520 billion to their families in developing countries during 2012, typically US\$100, US\$200 or US\$300 at a time, through more than 1.5 billion separate financial transactions. These funds are used primarily to meet immediate family needs (consumption) but a significant portion is also available for

savings, credit mobilization and other forms of investment. In other words, the world's largest poverty alleviation programme could also become effective grass roots economic development programme, particularly in the rural areas that present some of the greatest challenges to financial inclusion.

Remittance Received by Developing Countries of Near East is shown in the table below.

Table- 4.11
Remittance Received by Developing Countries of Near East

Near East	Remittance (US\$ Million)	% Contribution
Middle East	28678	64.11
Turkey	9845	22.01
Caucasus	6214	13.88
Total	44737	100

Source: www.imf.org

As we can see from the table- 4.11 that Middle East has contributed in the large number of remittance from the Near East zone. As per the report, Middle East has contributed around USD 28 K Million. Out of total remittance of USD 44.73 K Million received by Near East, Middle East has contributed 64.11 %.

Remittance Received by Developing Countries of Europe can be shown in the following table.

Table- 4.12
Remittance Received by Developing Countries of Europe

Near East	Remittance (US\$ Million)	% Contribution
Russian Federation	35346	47.60
South East Europe	18652	25.12
Central Europe	20258	27.28
Total	74256	100

Source: www.imf.org

Table 4.12 illustrates that the developing countries of Europe earns the remittance of USD 74 K million. The main contributor in this region is Russian Federation. It has earned USD 35 K Million which has contributed to 47.60 % of the total remittance received by developing countries of Europe. South East Europe and the Central Europe have contributed 25.12 % and 27.28% respectively. The developing countries of Europe are the third highest remittance earner as of Worldwide.

Remittance Received by Developing Countries of Latin America and the Caribbean

Table- 4.13

Remittance Received by Developing Countries of Latin America and the Caribbean

Latin America & the Caribbean	Remittance (US\$ Million)	% Contribution
South America	26982	32.94
Central America	18203	22.22
Caribbean	10379	12.67
Mexico	26354	32.17
Total	81918	100

Source: www.adb.org

Table 4.13 shows the remittance number that has been earned by the developing countries of Latin America and the Caribbean. The total number of the remittance earned during this year is USD 81.91 K Million out of which Mexico and the South America has contributed around equally amount of remittance and the contribution percentage for both the region is around 32. Central America and Caribbean has contributed around 22 % and 12 % respectively. Latin America and the Caribbean is the second highest contributor in receiving the remittance by the developing countries.

Remittance Received by Developing Countries of Africa is shown in the table below

Table- 4.14

Remittance Received by Developing Countries of Africa

Africa	Remittance (US\$ Million)	% Contribution
North Africa	21971	45.88
West Africa	13208	27.58
East Africa	5531	11.55

Central Africa	1932	4.04
Southern Africa	5246	10.95
Total	47888	100

Source: www.worldbank.org

Table 4.14 shows that the developing countries of Africa have contributed around USD 47.88 K Million of remittance. The most part of Africa contributed in the earning of remittance is North Africa and it is around USD 21 K Million. The contribution percentage of North Africa is 45.88. West Africa and East Africa has contributed 27.58 % and 11.55 % of the total. Southern Africa has also contributed 10.95 % of the remittance. The least contributor of Africa continent is Central Africa amounting to USD 4.04 K Million.

Remittance Received by Developing Countries of the world is shown in the table below

Table- 4.15
Remittance received by developing countries of the world

Continent	Remittance (US\$ Million)	% Contribution
Near East	31296	7.11
Europe	74256	16.87
Latin America & the Caribbean	81918	18.61
Asia	204903	46.54
Africa	47888	10.87
Total	440261	100

Source: www.imf.org

The above table shows the remittance received by developing countries of the world. According to the table, Asia has received the largest amount of remittance whereas least by near east regions

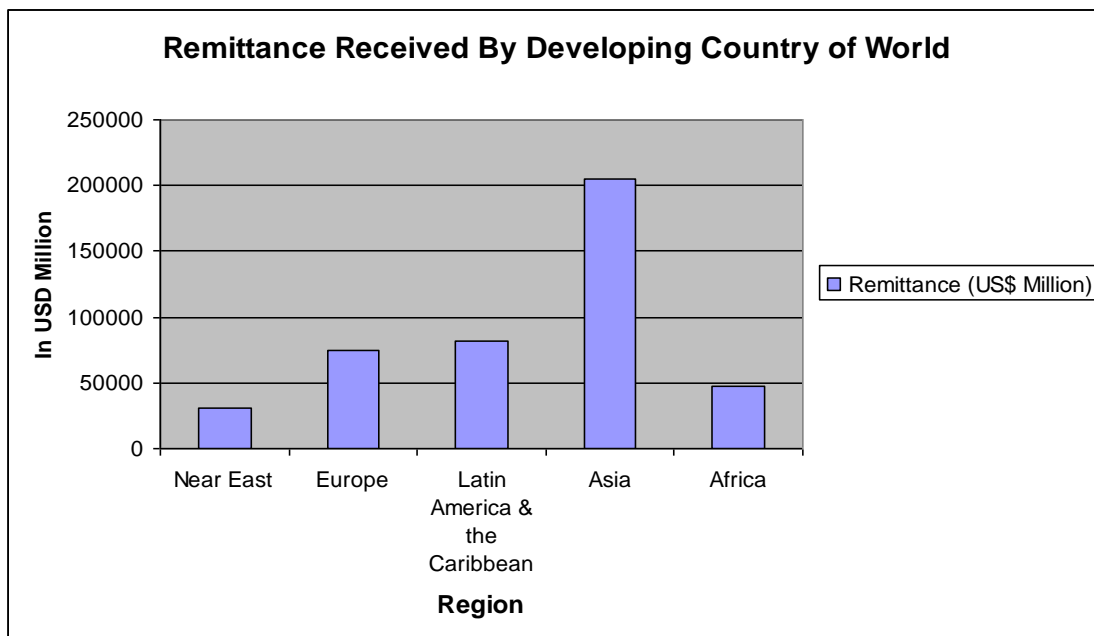


Figure 4.5 Bar Diagram showing remittance received by developing country of world

Above bar diagram shows that the developing countries of Asia has mostly contributed a huge number of remittance received as per the worldwide region. It has contributed around USD 205 K Million out of USD 440 K Million i.e. it has contributed around 46.54 % of the total revenue received by the developing countries of the world. After Asia, Latin America and the Caribbean have contributed a lot. It has contributed USD 82 K Million and the contribution percentage of this region out of total is 18.61 %. Europe has contributed USD 74 K Million. The contribution percentage of the Europe in terms of total is around 16.87 %. Africa and the Near East have also contributed a good number of remittance amounting to USD 47 k Million and USD 31 K Million respectively. The contribution percentage of the Africa and Near East are 10.87 % and 7.11 % respectively.

Thus, as we can see that the developing countries are receiving the remittance a lot. The number of remittance received by the developing countries has been increasing year by year. As per the trend and expectation as per the current analysis, this number would be highly increased in the next year. Though there are huge numbers of remittance received through informal channels the remittance received by formal channels would also be increased. Due to the education in terms of remittance many

people who use the informal channels will be highly attracted to the formal channels because of low interest rate and the safety of the fund.

4.8 Remittance from India

According to 'Study Report on Remittance from India', published by Nepal Rastra Bank, the migrant workers' remittances alone contributed to 16.7 percent to the country's gross domestic products (GDP) in 2005-06, while the contribution of remittance from India stood at 2.1 percent. The central bank's report, which is based on surveys in New Delhi and five major border points along the Indo-Nepal border, is first of its kind of a study on remittance from India, reports The Himalayan Times daily. The study has revealed that the majority (99 percent) of the remittance from India comes through unofficial channels such as through friends and relatives or workers bring the money themselves when they come home on leave. The report points out the need of encouraging workers for using official channels such as banks and financial institutions as well as money transfer agencies to remit their hard earned money back home. The banks and financial institutions both in Nepal and India are yet to exploit a huge scope of inward money transfer business from India to Nepal, says the report. The report contemplates that the decelerating reserve of Indian Currency (IC) in Nepal could be controlled if remittance from India was routed through official channels. It is worthwhile to note that the central bank purchased Rs 64 billion worth of IC by paying \$920 million from its reserves during the fiscal year 2006-07 alone to finance trade deficit among others.

Nepal received an average of Rs 12 billion in remittance annually from India over the past six years; although a mere one percent of the amount was remitted through official channels. The remittance inflow from India has maintained a growth of an average 23.67 percent over the past 15 years against 37.78 percent growth in total inflows. However, the share of Indian remittance out of the total remittances dropped to 12.4 percent in 2005-06 from 45.5 percent in 1989-90. Nepal had received Rs. 968.7 million in 1989-90, which climbed to Rs 12.10 billion in 2005-06. On the other hand, the share of overseas remittances grew dramatically by 87.6 percent to Rs 85.43 billion in 2005-06 from more than Rs 1.15 billion in 1989-90. The average incremental rate of Remittance received from India in 2068/069 is 23.46 percent

while from other countries it was 46.42 percent. The table shows that there was a boost in destination of migrant workers from India to other countries due to open labour policy and opportunities in the Gulf countries. Besides the use of informal channels for remitting money to Nepal by workers in India is still highly used.

The study has found that most Nepali migrant workers in India are unskilled or semi-skilled, earning INR 7,000-10,000 a month. New Delhi, Mumbai, Himanchal Pradesh and Haryana are the major destinations for Nepali migrant workers in India, while many of them are working in Gorkha Rifles of the Indian Army.

Based on a field survey in New Delhi, the report estimates that a Nepali worker can remit an average of INR 28,025 a year, which is more than double of what previous estimation of Nepal Living Standard Survey 2012, had. It had estimated per capita remittance from India at INR 12,625.

4.9 Remittance Received from India and Other Countries

The table below shows the data of remittance received from India and Other countries from the year 2003-2012

Table- 4.16
Remittance received from India and Other Countries

NPR in million

Fiscal Year	India	Increase in %	Other Countries	Increase in %	Total	Increase in %
2003	15458.0	49.70	38745.30	4.13	54203.30	14.03
2004	12964.1	-16.13	45623.50	17.75	58587.60	8.09
2005	10181.3	-21.47	55359.90	21.34	65541.20	11.87
2006	12099.9	18.84	85436.30	54.33	97536.20	48.82
2007	11770.0	-2.73	88374.80	3.44	100144.80	2.67
2008	13552.0	15.14	129130.70	46.12	142682.7	42.48

2009	14336.0	5.79	195362.50	51.29	209698.5	46.97
2010	17855.0	24.55	213870.30	9.48	231725.3	10.50
2011	18369.0	2.88	235182.60	9.97	253551.6	9.40
2012	20238.0	10.18	300141.80	27.62	320379.8	26.36

Source: www.worldbank.org

Table 4.16 shows that the remittance received from India is not in a constant position. Some year, the remittance received from India is increased and in some year it has been decreased. However, the remittance received from other countries except India has been gradually increased year by year. In the year 2006, it has been increased to around NPR 86 billion which is 54.33 % increased from the year 2005 and less growth in 2007. However, these are not the actual number as these are the remittance received from the formal channels. However, there are a huge number of remittance inflows through informal channels which the government is unable to record. Hence, the remittance number / volume received by Nepal from India and Other countries are different and more than the number that has been showed in the above mentioned table.

4.10 Regional Trend of Remittance Recipient Countries

The Latin American and the Caribbean region receive most remittances. As a share of GDP, remittances are the highest in the Middle East and North Africa region. Remittance flows to Sub-Saharan Africa are grossly underestimated, with wide gaps in data reporting in many countries.

In 2012, India, Mexico, and China were the top three recipients of remittances, accounting for nearly one-third of remittances that developing countries received.

In some countries remittances make up more than 25% of the country's GDP. Some of these countries are Tajikistan, Moldova, Tonga, Kyrgyz Republic, and Honduras. In many countries, the size of remittances has grown significantly over the years.

There are regional preferences that encourage migrants to go to the most accessible countries, i.e. easy to get to, cultural and language ties, etc. Over the last 15 years,

Western Europe received 42% of migrants from Central and Eastern Europe as well as growing numbers of migrants from the Former Soviet Union. Most Mexican and Latin American migrants go to the United States. But people in many South American countries also look toward Europe. Caribbean migrants prefer the United Kingdom as a destination, and many South American migrants choose Spain. Migrants from the Middle East and North Africa migrate to the resource-rich, labor-seeking Gulf countries or Europe. Maghreb workers have sought opportunities in Northern Europe and increasingly in Italy and Spain. Egypt and Arab Mashreq countries have gravitated toward the rich Gulf States. Migration can also create a ripple effect. In the Middle East and North Africa, for example, as Lebanese and Jordanian workers leave for the Gulf countries, Syrians migrate to Lebanon and Egyptians go to Jordan to work on farms. In South Asia for example, Nepalese migrants gravitate toward India, the Gulf states, and Saudi Arabia.

Table - 4.17

Table showing remittance received in 2012

Country	Remittance Received in 2012 (USD Billion)
India	64.00
China	62.00
Mexico	32.00
Phillipines	15.11
France	13.25
Spain	10.20
Belgium	8.60
Germany	8.40
U.K.	7.90
Romania	7.50

<http://blogs.worldbank.org/peoplemove/node/1112>

The above table 4.17 shows, the countries with significant data revisions include the three largest recipients: India, China and Mexico. Remittance flows to India are

conservatively estimated to have reached \$64 billion in 2012 (compared to earlier estimates of \$60 billion). Remittance flows to China were about \$62 billion in 2012, some \$ 8 billion higher than previously estimated, and those to Mexico about \$ 2 billion higher. The figure for India now corresponds closely with those of the country's central bank, with some adjustment for reporting by fiscal year instead of calendar year. The revision increases the share of India's contribution to South Asia's remittance inflows to 68 percent, up from 59 percent earlier. The revisions to Mexico's data, according to the Mexican central bank, were due to inclusion of additional intermediaries (banks, money transfer companies etc.). The new figure for China reflects the latest available data from the World Bank's country desk.

Table - 4.18

Table showing percentage to GDP in 2012

Country	Percentage to GDP
Tajikistan	37.22
Moldova	32.20
Tonga	33.12
Kyrgyz Rep.	26.90
Honduras	26.33
Lesotho	23.90
Guyana	23.60
Lebanon	22.60
Haiti	20.95
Jordan	19.96

<http://blogs.worldbank.org/peoplemove/>

The above shows the highest contributors in national GDP of World. It shows Tajikistan 37.22 percent of GDP is contributed by remittance. Similarly, Moldova in is with 32.20 percent, and Tonga and likewise. Jordan is in the tenth position with 19.96 percent.

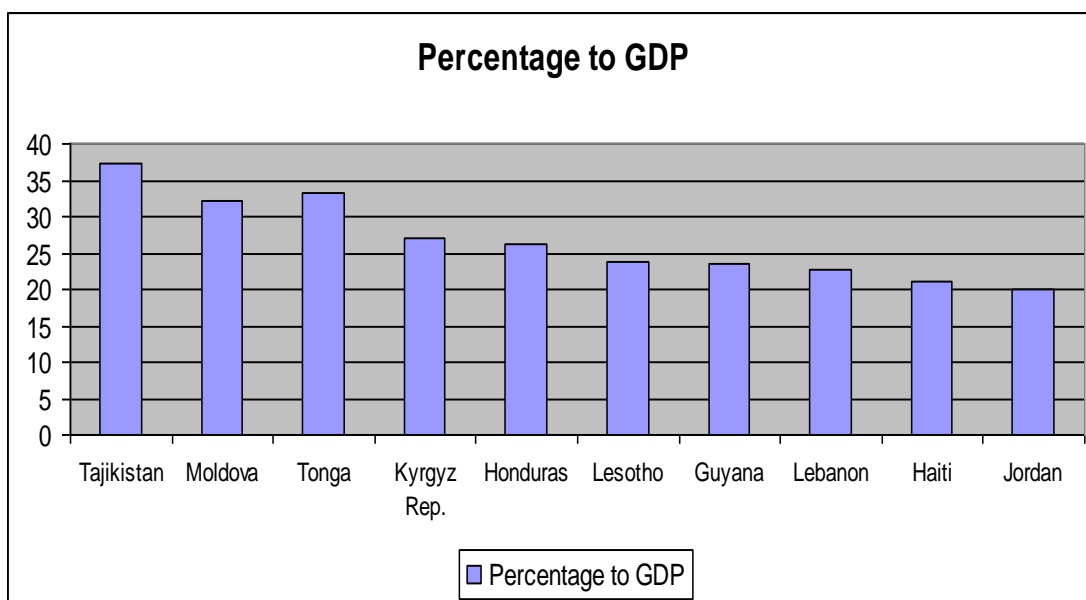


Figure 4.6 Bar diagram showing contribution to GDP in percentage

The above figure shows the small economic countries whose GDP is largely contributed by remittance. Here Tajikistan is in first position with 37.22 percent. Remittances data for several other countries that have reported monthly data until end-2012—Bangladesh, Dominican Republic, El Salvador, Honduras, Guatemala, Jamaica, Pakistan, and the Philippines—were also revised to include the latest available figures from the respective central banks. The revisions for this set of countries do not affect the global or regional trends for 2012. India, China and Mexico retain their position as the top recipients of migrant remittances among developing countries. The top 10 recipients list also includes Philippines, Poland, Nigeria, Romania, Egypt, Bangladesh and Pakistan. In contrast, the top recipients in terms of the share of remittances in GDP included many smaller economies such as Tajikistan (37 percent), Moldova (32 percent), Tonga (33 percent), Lesotho (24 percent), and Honduras (26 percent).

After the revisions, the East Asia and Pacific region continues to remain the largest recipient of migrant remittances among all developing regions. South Asia is now the second largest recipient among developing regions, slightly ahead of the Latin America and the Caribbean region. Sub-Saharan Africa continues to remain the smallest recipient among developing regions.

The new estimates show that all the developing regions except South Asia experienced sharp deceleration in the growth of remittance inflows in 2012. Flows to the Latin America and the Caribbean region were flat, continuing the declining trend in growth since 2006. The growth of inflows to developing countries in Europe and Central Asia decreased from 31 percent in 2009 to 5 percent in 2012, those to East Asia and the Pacific declined from 23 percent to 7 percent, to the Middle East and North Africa from 22 percent to 8 percent, and to Sub-Saharan Africa from 44 percent to 6 percent. Flows to South Asia grew 27 percent in 2011, down only modestly from 31 percent growth registered in 2012.

Table 4.19
Remittance flow to developing countries, 2006-2012

Year	2006	2007	2008	2009	2010	2011	2012
(US\$ Billion)							
Developing Countries	116	124	134	139	148	160	166
East Asia and Pacific	30	25	29	29	33	35	30
Europe and Central Asia	14	16	22	21	18	20	13
Latin America and	28	27	23	30	28	23	33
Middle-East and North	15	20	23	24	26	31	34
South Asia	24	30	29	26	30	32	36
Sub-Saharan Africa	5	6	8	9	13	19	20

Growth Rate (%) in							
Developing Countries	21%	25%	14%	18%	17%	23%	9%
East Asia and Pacific	47%	20%	10%	19%	13%	23%	7%
Europe and Central Asia	11%	13%	43%	41%	23%	31%	5%
Latin America and	15%	31%	18%	16%	18%	7%	0%
Middle-East and North	4%	34%	13%	5%	6%	22%	8%
South Asia	26%	26%	-6%	15%	20%	31%	27%
Sub-Saharan Africa	8%	19%	34%	17%	37%	44%	6%
World (\$ Billion)	228	288	318	392	415	440	472

Source: Calculation based on data from IMF Balance of Payments Statistics Yearbook 2012 and data releases from central banks, national statistical agencies, and World Bank country desks. Remittances are defined as the sum of workers' remittances, compensation of employees, and migrant transfers.

The above shows the remittance flow to different countries from year 2006 to 2012. It states, remittance in developing countries is in increasing order every year, where East Asia and Pacific regions receive the largest amount of remittance and Sub-Saharan Africa receives the lowest.

4.11 Traditional Remittance and Productizing the Remittance

The development impact of migrant remittances is a little limited. Traditional cash-to-cash money transfers can lack macroeconomic leverage, especially when the funds are used for consumption rather than investment. However, remittances can be more than simply funds transfers. Several years ago, many people have asked a basic question: Are remittances a "product" or a "platform" for development?

At the time, Thamel Dot Com had launched Nepal's first e-commerce portal and was providing Nepalese Diaspora with a suite of products and services, including news and information, money transfer and the ability for people living outside of Nepal to remotely purchase goods and services in Nepal for local delivery. Thamel Dot Com money transfer service mirrored that of other money transfer companies—remittances were viewed as a "product". Over time, they came to the conclusion that cash-to-cash money transfer, as a product, is not very interesting...or economically dynamic. Money transfer services became much more interested in our cash-to-products transactions. This interest came from the fact that the financial margins are better when people "productize" remittances; and also because the economic impact is higher when remittances are directly turned into the value for which they are intended.

"Productized" remittances deliver greater economic impact than traditional cash remittances for several reasons. The cost to the sender for the money-transfer element of the transaction is lower, thus increasing the buying power of the remittance. The remittance sender maintains more control over the use of the remittance, thus lowering waste and misuse of the money. The productized remittance platform offers

the sender more options for investment, including financial services like bank-based savings accounts, loan-based purchases, and access to capital. And finally, the intermediary business operating the platform (such as Thamel Dot Com) is motivated to find new ways to add value and offer new products and services to the remittance sender, thus helping develop local businesses. Understanding this relationship between remittances and potential local business development is critical if remittances are to provide optimal economic results.

Cash remittances are just one way that Diaspora populations impact development in their homelands. For example, the Chinese and Indian Diasporas have fuelled development in their countries via both cash remittances and their direct engagement associated with the remittances. Anna Lee Saxenian has superbly described this phenomenon in her book *The New Argonauts*. She illustrates how Diaspora have created networks, pooled their experience and resources and used their capital to create opportunities for themselves and their countrymen in their respective homelands. This holistic approach to diaspora and development, with remittances viewed as a key "platform" rather than as a "product", reflects a forward-looking perspective.

The real development opportunity for the future rests in how remittances are managed. I would like to see the remittance debate focus more on the role of remittance platforms and the development processes needed to effectively use remittances to provide benefits and opportunities for stakeholders involved in the whole remittance value chain.

4.12 Dollar Depreciation Affects Remittance

The depreciation of US dollar has affected the remittance earning and foreign exchange reserve, say reports. The growth rate of forex reserve has declined in the first 11 months of the fiscal year.

The report on economic situation about the 12 months of ended fiscal year (2011/12) published by the Nepal Rastra Bank (NRB) has stated that during that period, total

forex reserve declined by 1.7 percent to reach Rs 174 billion. The central bank has said that the decline is due to depreciation of US dollar.

During this period, the value of US dollar depreciated by 13.42 percent compared with its appreciation by 4.24 percent in the previous fiscal year. The scarcity of Indian currency has also deepened. During the review period, NRB spent US\$ 880 million to buy Rs 62.46 billion of Indian currency. The share of Indian currency in total forex reserve stands at only 5 percent.

The report says the inflation rate has come down to 4.5 percent during the period compared with 9.1 percent previous year. Total exports have increased merely by 0.8 percent. Exports to third countries have declined (by 2 percent) while those to India have marginally increased (by 2.1 percent). Total imports have increased by 11 percent. Although government spending has increased, it has been sustained by the handsome rise in revenue collection.

4.13 Estimation of next year's Remittance

Analyzing the trend of remittance of five years data from 2006 to 2012 and using the mathematical calculation to estimate the remittance in next five years.

The remittance is in increasing trend and is like to be Rs. 345685.88 Million on July 2013 which as per the trend may increase to 383683.38 Million on July 2014. (Appendix 1)

4.14 Nepalese Workers' Abroad Trend

The table given below shows the no. Nepalese workers going abroad.

Table 4.20
Nepalese Workers' Abroad

Mid Year July	Workers' Abroad	Increase in %
2003	105055	
2004	121769	15.91
2005	139696	14.72

2006	182071	30.33
2007	204533	12.34
2008	217164	6.18
2009	187063	-13.86
2010	231992	24.02
2011	320890	38.32
2012	547060	70.48

Source: Department of Labour and Transportation, Various Issues, Nepalese Journal of Labour and Employment, Various Issues

Table 4.20 shows that the number of Nepalese workers going abroad has significantly rise to 547060 in 2012 as compared to 55025 in 2001. The number of workers' going abroad has increased drastically from 2001/02 to 2011/12. But in 2009, the number of workers' going broad decreased than the previous year. The data shows that more than 24 percent people have went abroad for work in 2010 in comparison to 2009. The percent increase was likewise highest at that period with percent increase by 38.325% and 70.48% in 2011 and 2012.

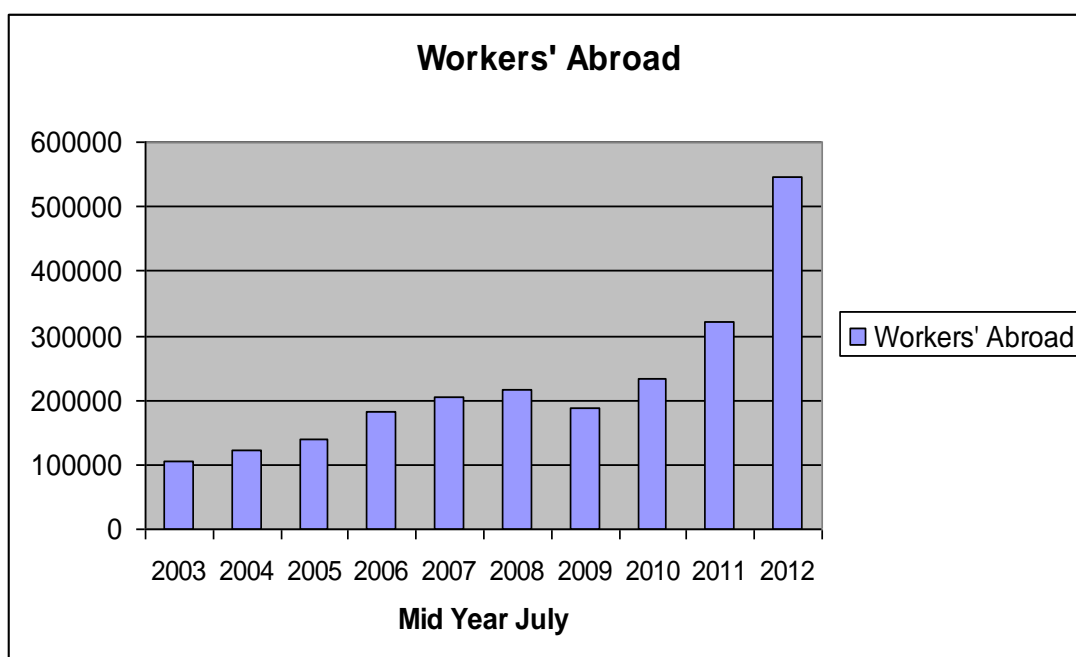


Figure 4.7 Bar diagram showing no. of workers abroad

The above figure shows number of Nepalese going abroad. It is in increasing order from year 2003 except year 2009. Coming to recent year 2012 it has been largely increased by 70.48 percent.

4.15 Revenue collected from Remittance Business in Nepal

Per Day Transaction from Remittance is shown in the table below.

Table 4.21
Per Day Transaction from Remittance

Detail	Cost	Qty	Total (Rs)
Passport	5000	700	3,500,000.00
Transportation(bus)	500	3000	1,500,000.00
Small Hotels	500	3000	1,500,000.00
Medical	2200	700	1,540,000.00
Orientation	700	656	459,200.00
Training	300	350	105,000.00
Advertisement (Newspaper Electrical)			700,000.00
Photograph	250	656	164,000.00
Ticket	26000	656	17,056,000.00
Insurance	3500	656	2,296,000.00
Welfare Fund	500	656	328,000.00
Airport Tax	1130	656	741,280.00
Star Hotels (350X80X50)			1,400,000.00
Commission-Visa (500 X 80)	40000	656	26,240,000.00
International Mission(Embassy)	20000	80	1,600,000.00
Total			59,129,480.00

Source: Nepalese Journal of Labour and Employment, Volume 2, Ashad 2069

Table 4.21 shows that there is a heavy contribution by people going abroad in our country itself. Not only do they make a total transaction of NPR 59,129,480 daily but they are also contributing much in various business sector of the country. Out of above 45000000 is remitted abroad daily while 389041095 is received daily.

In this way this Nepalese Diaspora has generated approximately 50000 employment in the country. Foreign employment department Nepal data shows that till Ashad 2069, 1204000 people have gone aboard and different NGO and INGO claims that with advent age of open border, around 1735000 Nepalese are working abroad illegally. Till date 71% unskilled 27% semi-skilled 2% skilled workers are working abroad. In context of Nepal where 4 members of the family have to rely on income of 1 member of the family approx. 1 crore Nepalese are dependent on the remittance sent by workers abroad.

4.16 Coefficient of Correlation between Abroad Workers and Remittance Inflow in Nepal

There is no obligation to say that Remittance is dependent upon the abroad workers. Larger number the worker abroad, higher the remittance acquired. Co-efficient of correlation between abroad workers and remittance inflow measures the degree of relationship between these two variables. In this analysis worker is independent variable (y) and remittance is dependent variable (x).

The purpose of computing co-efficient of correlation between workers and remittance is to find out whether the remittance is significantly correlated with abroad workers or not.

The coefficient of correlation between workers(independent) and remittance inflow (dependent) in Nepal 0.8667 high degree of positive correlation between these two variables. On the other hand, considering the value of co-efficient of determination r^2 i.e. 0.75 indicates that 75% of the variation in the dependent variables (remittance) has been explained by the independent variables (workers) moreover by considering the probable error. We can further say that there is significant relationship between total workers and remittance because the value of r i.e. 0.8667 is greater than 6 P.E. i.e. 0.3199. It indicates that the country is capable to earn more remittance by mobilizing workers abroad. (Appendix 2)

4.17 Findings of the study

After analyzing the various aspects of the remittance in Nepal, we came to know that remittance plays a vital role in the growth of the economy of Nepal. Huge numbers of people are migrating day by day in search of an opportunity, which leads to the increment in the volume of remittance received by Nepal. However, there is a little volume of outward remittance which flows from Nepal to other countries but the number of outward remittance is negligible in terms of inward remittance that received by Nepal.

Money earned by Nepalese working overseas has surpassed exports as the top contributor to foreign exchange earning with vibrant contributions to the country's Gross Nation Product (GNP). A significant rise in the contribution by remittances to the GDP from 11.46 percent in 2003/04 to 24.6 percent in 2011/12 is a clear testament that its role in the national economy. It has now positioned itself as the top contributor to foreign exchange earnings for the last five years. This was revealed in a Nepal Rastra Bank (NRB) report on 'Inflow of Workers' Remittances: Nepal's Experiences' presented at South Asian Association for Regional Cooperation (SAARC)-Finance seminar on Management of Workers' Remittances in SAARC Countries.

The growing remittances have led to a surplus in the current account, thereby strengthening the overall balance of payment position. The share of remittances in total current account soared to 46.7 percent from 29.8 percent in the past five years. Growth of 26 percent in convertible currency reserves of the banking system is also due to increasing remittances. As per the estimation of remittance in next year estimated as per the trend analysis, remittance could reach to Rs. 345 Bio in year 2012/2013 & Rs. 383 Bio in 2013/14.

From this study we came to know that till now many remittance comes through the informal channel so that the record recorded by government are not actual. However, it doesn't take into account the flow through informal channels, as the econometric analysis and available household surveys show that unrecorded flows through informal channels may add 50 percent or more than recorded flows. Many people do not want to send the money from any legal entity due to their commission charge. Therefore, government should establish that type of systematic process in which the

legal entity takes only a small percent of commission to send the remittance. As a result, the poor people will also attract to send the money through formal channels. Many people of rural areas are uneducated so government should educate them regarding the value and safety of fund which can be gained through transformation of fund by the formal channels. For the sake of safety of fund many people will start transferring the fund through formal channel.

To be productive in the remittance sector, financial institutions should also help customer to get their remittance as fast as possible. Therefore, they should cut off their unnecessary process / steps of getting the remittance from different centres of the world. Customer are the god for financial institutions therefore, they should out serve them as far as possible by cutting down unnecessary process / steps which could be burden to the customers. By the help of these regulations obviously the remittance will drastically increase in near future which will help in the growth of the economy of the nation. In the difficult period of Nepal where there was an internal war between Maoist and Nepal Army only the remittance has helped in stabling the GNP of the nation. In present scenario, we can see that the country is being stable with the fine political situation. Hence, if the remittance increases as per the past analysis then with the help of remittance and other factors the GNP of Nepal will reach to the peak.

Remittance should be encouraged through formal channels. In international level, to decrease the support for increasing problem of terrorism activity like; terrorist financing and anti-money laundering's education are actively encouraged. For this as well, remittance should be used through formal channels only. Thus the world's central Bank of International Settlement (BIS) has issued the directives as General Principles for International Remittance Services. This directive has announced five factors.

- 1) Transparency and Customer Protection
- 2) Payments system Infrastructure
- 3) Legal and Regulatory Environment
- 4) Market Structure, Competition and Governance
- 5) Risk Management

Also, it is growingly acknowledged in South Asia that foreign labour migration helps promote national economic growth, eases the pressure of unemployment, brings in much-needed foreign exchange through remittances and increases consumption, savings and investment at both the household and macro levels.

Also, the Governments of Bangladesh, India, Pakistan and Sri Lanka have devised a legal framework encouraging their citizens to send foreign remittances into their countries of origin. Generally, the non-resident citizens of these countries are granted the following facilities, among others: a) maintenance of bank accounts in both foreign and local currencies without tax implications; b) investments in securities/shares, and deposits with local firms/companies; and c) investments in immovable properties in the respective countries.

Because of these and other facilities provided to their respective non-resident citizens, these countries have been able to attract enormous remittances from their respective non-resident citizens. A case in point is India where it was the largest recipient in 2012 with \$64 billion, followed by China with \$ 62 billion and Mexico with \$ 32billion.

Migrant workers, particularly from India and Pakistan, have introduced products, especially food items, in the host countries. These products are now regularly exported to these countries and have become a permanent source of revenue for local exporters.

The Government of India has devised better incentives for its expatriates abroad to send and invest money in India's growing economy. It has also eased regulations and controls, and eliminated the black-market premium on the rupee and has created convenient remittances services. The Indian and international banks have systematically shifted some remittances from the informal "hawala" channels to formal channels. Indians abroad have also responded to several attractive deposit schemes and bonds offered at home.

To attract investment from remittances, different types of bonds have been issued by the Government of Bangladesh. These include Wage Earners' Development Bond, US Dollar Investment Bond and US Dollar Premium Bond.

In Sri Lanka, on the other hand, the Government has attempted to encourage investment and long-term financial planning by return migrant workers by offering different types of credit schemes. The credit schemes do not focus solely on investment but also cater to other identified needs of migrant workers, making them more realistic in application.

Most of the South Asian Governments have established special institutions such as migrant workers welfare funds and appointed community welfare officers/attaché in embassies in the receiving countries to promote and protect the interest of migrant workers.

The Government of major remittance receiving countries have implemented various planning to encourage channelizing the remittance through formal channel, which could be adopted in the context of Nepal also.

Remittances should be channelized into the productive sectors. In order to utilize remittance in the productive sector, it must be brought into financial system. Individual investors don't look into issues like project appraisal, cost-benefit analysis, rate of return, sustainability, market, future growth etc. Financial institutions are capable in doing all this. We have to expand our banking network and services of our financial institutions in order to tap those remittances. The stock market should be revamped. We can even issue bonds in the foreign currency. It is said that we are facing resource crunch to invest in say, power sector. In big infrastructure projects like Melamchi, we can issue such bonds and even sell them in the markets abroad where our people are working. As soon as the government guarantees return to their investment, the remittance will come into official channel and also be used in productive sector. Our banks should open their branches in the countries where there is concentration of Nepalese workers.

A bank or agency could work to facilitate our people to go abroad by providing loans and channelling their money back home. If it is a bank, it has to work under certain norms. Commercial banks provide loans only against certain collateral. The

Development Bank also has got its norms. The existing banks; say by opening an outlet in our embassies abroad where Nepalese are working.

As per research conducted by Asia-Pacific Research and Training Network on Trade, on international labour migration of Nepalese women, the impact of their remittances on poverty reduction By Chandra Bhadra, the *Mode of remittance utilization*, Table 3.1 reveals that the greatest priority in the use of remittances by families was for the education of children followed by food consumption. A substantial number of families had saved their remittances but returnees reported that they did not have investment opportunities. Remittances were also used to buy land and build houses. Although of lower priority, purchases clothing and health care were preferred to the use of remittances in social and religious activities and entertainment. This indicates that families use their remittances in the poverty-reducing activities of educating children and acquiring food for the family. Savings in the bank and investments in land are also a priority use of remittances as a hedge against poverty. Table 3.1 also shows that the initial use of remittances is the repayment of loans as more current migrants' families are using remittances for that purpose. However, some respondents reported the use of remittances to buy jewellery, vehicles and other household expenses.

Table 4.22
Mode of remittance utilization

Category	Returnees	Current Migrants	Total	%
Education	138	98	236	25
Food	109	75	184	19
Clothing	48	48	96	10
Savings in bank	88	31	119	13
Investment in land	61	25	86	9
Health	51	27	78	8
Loan repayment	18	29	47	5
Social Activities	10	10	20	2
Religious Activities	7	-	7	0.7
Investment on business	15	9	24	3
Entertainment	-	1	1	0.1
Others	42	12	54	6

Source: Asia-Pacific Research and Training Network on Trade

In above table, three percent of the respondents reported investments in businesses or enterprises such as beauty parlours, restaurants, small hotels, grocery shops and transportation vehicles. This indicates that migrants not only eased their own household poverty but they also helped others in the country to ease their poverty by creating employment opportunities for them. Nevertheless, respondents could not differentiate the contribution to an enterprise that could be exclusively credited to their remittances. Thus, the creation of employment opportunities in the country through women's remittances could not be actuated in terms of provision of employment to a specific number of women and men. Minimal expenses in entertainment, social and religious activities compared with poverty reductive expenses prove wrong those who claim that remittances are used for unproductive and conspicuous consumption.

Despite huge earnings from remittances, carpet, garment and tourism sector, Nepalese are yet to invest their earnings in the industrial sector. In a country where 86 percent of GDP is spent on consumption and only 14 percent as savings, the sustainable economic development is a big challenge. The achievements made in the export sector including the foreign employment during the past two decades changed the habit of consumption rather than injecting the culture of savings and/or investment. Past experiences have indicated that more the money Nepalese earn, higher the volume they spend on consumptive products. As long as the habit of consumption continues to dominate, boom in certain sectors like foreign employment would not provide long term support to sustain the economy

Remittances increase the consumption pattern but it has virtually zero contribution in the investment. Foreign employment is just a temporary phenomenon. Since Nepal has excessive manpower, which is not absorbed by the agriculture sector and industrial sector within the country, this sector emerged as a viable temporary alternative for Nepal to make up the loss bearing from the crash of carpet export.

Nepal will need its own manpower in case of industrialization and boom in agriculture sector. If these two sectors grow, they will absorb Nepalese manpower and there will be no need to send any worker abroad for the work.

Since a large per cent of the remittance is spent to meet daily expenditures and on real estates, the inflow of the remittance is less felt by households that do not receive it directly. The remittances cannot be a substitute for a sustained, domestically engineered development (www.undp nepal.org 05.01.2011). Still, it can ease the immediate budget constraints of recipient households. Nepal Rastra Bank's working paper 'Mobilising Remittance for Productive Use: A Policy-oriented Approach' 2011, suggests to craft effective and efficient public policies to channel remittances into productive projects.

As per NRB Working Paper, Mobilizing Remittances for Productive Use: A Policy-oriented Approach, Migrant remittances represent the most direct, immediate and far reaching benefit to migrants and their countries of origin. They are a more constant source of income to developing countries than official development assistance, foreign direct investment and other private flows. Moreover, the emergence of remittances as a new strategy for poverty alleviation in developing countries has spurred multilateral institutions, international organizations, and national governments, among others, to seriously study, identify and implement measures on how these inflows could be maximized and then harnessed for the development of migrants' countries of origin.

Remittances can generate a positive effect on the economy through various channels such as savings, investment, growth, consumption, and poverty and income distribution. At the national level, remittances contribute significantly to GDP. Remittances can also contribute to stability by lowering the probability of current account reversals. Since they are a cheap and stable source of foreign currencies, remittances are likely to stem investor panic when international reserves are taking a downward trend or external debt is rising.

At the community level, remittances create multiplier effects in the domestic economy, producing employment opportunities and spurring new economic and social infrastructure and services, especially where effective structures and institutions have been set up to pool and direct remittances. Where these have been set up and encouraged, and where the state is cooperative, remittances can bring about a change, especially in remote rural areas.

Remittances have been found to rise when the recipient economy incurs a downturn in activity or macroeconomic shocks owing to financial crisis, natural disaster, or political conflict. By making up for foreign exchange losses due to these shocks, remittances may smooth consumption and thus play a part in maintaining the economic stability of recipient countries. The poverty reducing and income distribution effect of remittances is also significant. This case is based on the fact that the recipients of remittances are often low-income families whose offspring left the country to work abroad. Remittances assist in augmenting national income by providing foreign exchange and raising national savings and investment as well as by providing hard currency to finance essential imports hence curtailing any BOP crisis. Since they bear no interest, do not have to be repaid, and their utilization is not tied to specific investment projects with high import content, they have a more positive effect on BOP than other monetary flows such as direct investments or loans.

In many countries, a large portion of remittances are invested in real estate, demonstrating both a desire of migrants to provide housing to families left behind and a paucity of other investment instruments in the recipient. Whether remittances are utilized for consumption or purchasing houses, or other investments, they produce positive impact on the economy by stimulating demand for other goods and services. Some studies have illustrated that remittances can have a deleterious impact on national economic growth in the medium and longer term. Remittances can fuel inflation, disadvantage the tradable sector by appreciating the real exchange rate, and reduce labour market participation rates as receiving households opt to live off of migrants' transfers rather than by working. Moreover, remittances' contribution to growth and poverty might reduce the incentives for implementing sound macroeconomic policy or to institute any needed structural reforms.

Some also argue that remittances do little to stimulate development in the countries of origin. A few study undertaken relating to the uses of remittances show that savings produced by remittances are frequently directed to purchases of non-productive assets. Remittances were also seen to increase dependency. These inflows are quite volatile since countries that depend too much on them may face economic shocks when the flow is disrupted. There are many policy instruments the government can use to improve development impact of remittances and enhance the flow of

remittances through the formal channel. Which policy instruments the government selects depends on the desired goal it intends to achieve. First, if the government's objective is to capture a portion of remittances for development purposes, then the policy instrument will be to impose taxes or levies on remittance transfers, or to explore voluntary check-off for charitable purposes. But, taxing remittances may be counterproductive. Second, if the government's objective is to stimulate transfers through formal channels and to stimulate capital availability, then the policy instruments should focus on the sale of remittance bonds, opening of foreign currency accounts, premium interest rate accounts, promoting transfers through microfinance institutions, promoting financial literacy, and banking the unbanked. Foreign currency accounts and bonds have proven to be viable means of raising funds. This should be targeted at the Diasporas' middle-to-upper income members.

Moreover, if the goal is to stimulate investment of remittances then the government needs to reach out to remittance receivers through micro finance infrastructures. The government could also reach out to its migrants abroad through migrants' service bureaus, and tax breaks on imported capital goods by migrants. Since a long time, governments of migrants' home countries have employed a large variety of policy measures that target different elements in the system. Multilateral agencies such as the World Bank and the IMF and bilateral development agencies such as the DFID of the UK have also examined different policy options and recommendations.

CHAPTER V

SUMMARY, CONCLUSION & RECOMMENDATION

This chapter 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 are paid satisfactory which lead to the growth of their future as well as could easily support to their families. Hence, they send 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.

Introduction part deals with the general introduction of the bank with its background. The remittance background has also been described in this part. 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 the commercial bank has been illustrated in this part.

Review of Literature part 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 part. The informations that are not mentioned regarding the role of the remittance in past thesis which was important in the context of developing countries are mentioned in this study. In this part, the methods, modes, different ways to send remittances and the parties involved in this 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 part. The regulations of Nepal Rastra Bank have

been specified in this part. Moreover, Nepal Rastra Bank's regulation in terms of remittance has also been illustrated in a very simple way. This part has mentioned the previous studies in the same topic and the difference / gap between the previous studies and the study made by myself. The sectors that were not touched by previous researchers were analyzed and used in this study.

Research Methodology part 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 part. What kind of data is used in this study has been mentioned in this part. The ways and techniques to present the data has been researched and used in the 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 has been figured out in this study.

Data Presentation and Analysis part 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 part. The contribution of remittance to the GNP of the nation has also been illustrated through tables and graphs. Using the different ways and methods this study has calculated or estimated the amount of remittance which will flow in next year. Moreover, in this part this research has included the findings of the study on Remittance in Nepal. The issues that have been overcome in past thesis have been included in this thesis. This part has mentioned the inward and outward remittance flow of Nepal so that people could get clear picture. For clear picture, this study has mentioned the utilization of formal and informal channels by the people to send the remittance in Nepal. It has mentioned the remittance flow of India and other countries to Nepal and the worldwide remittance as well.

5.2 Conclusion

There are pros and cons of all the products in the world. Any matter / product have its positive and negative impact on the economy. In this globalization period, all the

products can be seen in the form of good and bad. It is the people who are responsible for using those products in a good or bad manner. Hence, the people who are using that product should have a pure heart who does not want to hurt anyone for their own benefits and who does not want to cheat their nation for their own benefits.

Remittance has also its pros and cons. Because of the migration, many skilled, talented and energetic people of the country have been migrated and hardly have they returned to their motherland. Many people returns only after their age didn't support them to work. Thus, country is lacking its energetic, talented and skilled manpower. 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. Although mentioning the disadvantage of the remittance, it has a great advantage in the developing countries GDP. 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. Thus, we have to educate all the people to use the formal channels to send their money to their family so that the money will be safe and secure plus the nation received the benefits from this as well.

Thus, in summation, we can say that remittance has played a great role to sustain or maintain the economy as well as it helps to boost the economy of the country. In the difficult situation of the country where there was the internal war between Maoist and the Government many business suffered. However, due to good volume of flow of remittance, the economy of the country was well placed. Remittance prevents economy to suffer from the internal war in the nation. Therefore, government should look into the possibilities to improve the remittance field in Nepal by imposing less tax.

Despite huge earnings from remittances, carpet, garment and tourism sector, Nepalese are yet to invest their earnings in the industrial sector. In a country where 86 percent of GDP is spent on consumption and only 14 percent as savings, the sustainable

economic development is a big challenge. The achievements made in the export sector including the foreign employment during the past two decades changed the habit of consumption rather than injecting the culture of savings and/or investment. Past experiences have indicated that more the money Nepalese earn, higher the volume they spend on consumptive products. As long as the habit of consumption continues to dominate, boom in certain sectors like foreign employment would not provide long term support to sustain the economy

Therefore remittances increase the consumption pattern but it has virtually zero contribution in the investment. One of the important aspects of remittances is that it helped to create micro-economic stability. Since the remittances have significant contribution in the micro economic stability, it should not be damaged.

Foreign employment is just a temporary phenomenon. Since Nepal has excessive manpower, which is not absorbed by the agriculture sector and industrial sector within the country, this sector emerged as a viable temporary alternative for Nepal to make up the loss bearing from the crash of carpet export.

Nepal will need its own manpower in case of industrialization and boom in agriculture sector. If these two sectors grow, they will absorb Nepalese manpower and there will be no need to send any worker abroad for the work.

5.3 Recommendation

The researcher has recommended some of the points to be considered which are addressed below:

- 1) Government should actively promote the formal channels of remittance inflow and discourage the informal channel of remittances.
- 2) People should be educated regarding the pros and cons of formal and informal channels. They should be educated in terms of the security of the fund and the less time consuming pattern by transmitting the fund through formal channels.
- 3) Government, banks and financial institutions should also reduce their tax, commissions in the remittance and make the method so easy and understandable to any kind of the person like literate and illiterate and remittance service must be available not only to cities but to rural areas also.

- 4) Government should focus on the remittance sectors where it can increase its remittance inflow from the different parts of the world.
- 5) For Sustainable development of our country Government must consider the better planning for optimum utilization of remittance received in development works and saving rather than spending on consumption.
- 6) The government should strictly monitor the good working environment, safety and security of its people working abroad by regulating rules and regulation. In addition to this, government should work in making agreements in new feasible destinations with consideration for benefit & rights of workers.

So, we can recommend improvising and bettering implementation of short term and long term planning for the sustainable development of the nation and its people working abroad.

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APPENDIX

Appendix 1

Analyzing the trend of remittance of five years data from 2006 to 2012 and using the mathematical calculation to estimate the remittance in next five years.

$$y = a + bx \text{ ----- (i)}$$

;

Year (X) Mid July	Remittance (y) (Rs. In Mio)	x = X - 08	x ²	xy
2006	97688.5	-3	9	-293065.50
2007	100144.8	-2	4	-200289.60
2008	142682.7	-1	1	-142682.70
2009	209698.5	0	0	0
2010	231725.3	1	1	231725.30
2011	253551.6	2	4	507103.20
2012	320379.8	3	9	961139.40
Total	∑ y=1355871.20	∑ x=0	∑ x²=28	∑ xy=1063930.10

Since $\sum x = 0$,

$$\sum y$$

So, a =-----

$$n$$

$$1355871.20$$

$$= \text{-----}$$

$$7$$

$$= 193695.88$$

Similarly,

$$b = \frac{\sum xy}{\sum x^2}$$

$$= \frac{1063930.10}{28}$$

$$= 37997.50$$

Substituting the value of a & b in equation (i), the equation of trend line is,

$$y = a + bx$$

The Equation of the Straight Line Trend is;

$$Y = a + bx$$

$$Y = 193695.88 + 37997.50 x$$

Year	x = (t – 2009)	Trend Value
2006	-3	79703.38
2007	-2	117700.88
2008	-1	155698.38
2009	0	193695.88
2010	1	231693.38
2011	2	269690.88
2012	3	307688.38
2013	4	345685.88
2014	5	383683.38

The remittance is in increasing trend and is like to be Rs. 345685.88 Mio on July 2013 which as per the trend may increase to 383683.38 Mio on July 2014.

Appendix 2

Calculation of Correlation between Abroad Workers and Remittance Inflow in Nepal

Year	Abroad workers (X)	X ²	Remittance (In Million) (Y)	Y ²	XY
2003	105055	11036553025	54203.3	2937997730.89	5694327681.50
2004	121769	14827689361	58587.6	3432506873.76	7134153464.40
2005	139696	19514972416	65541.2	4295648897.44	9155843475.20
2006	182071	33149849041	97688.5	9543043032.25	17786242883.50
2007	204533	41833748089	100144.8	10028980967.04	20482916378.40
2008	217164	47160202896	142682.7	20358352879.29	30985545862.80
2009	187063	34992565969	209698.5	43973460902.25	39226830505.50
2010	231992	53820288064	231725.3	53696614660.09	53758415797.60
2011	320890	102970392100	253551.6	64288413862.56	81362172924.00
2012	547060	299274643600	320379.8	102643216248.04	175266973388.00
N=10	2257293	658580864561	1534203.30	315198236053.61	440853422360.90

$$N\sum XY - \sum X \sum Y$$

$$r = \frac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2} \times \sqrt{N\sum Y^2 - (\sum Y)^2}}$$

$$= \frac{10 \times 440853422360.90 - 2257293 \times 1534203.30}{\sqrt{10 \times 658580864561 - (2257293)^2} \times \sqrt{10 \times 315198236053.61 - (1534203.30)^2}}$$

$$= \frac{440853422360.9 - 3463146369666.9}{1220834.53 \times 893421.84} = \frac{945387853942.10}{1090720239347.35} = 0.8667$$

$$r^2 = 0.75$$

Calculation of Probable Error (P.E.)

$$\begin{aligned} & (1 - r^2) \\ \text{P.E.} &= 0.6745 \times \frac{\quad}{\sqrt{N}} \\ & (1 - 0.75) \\ &= 0.6745 \times \frac{\quad}{\sqrt{10}} = 0.6745 \times 0.0790 = 0.053323 \\ 6\text{P.E.} &= 6 \times 0.053323 = 0.3199 \end{aligned}$$

Appendix 3

Year-wise Remittance Inflow of Nepal

Year	Remittance inflow (In \$ million)
2003	771
2004	823
2005	1212
2006	1453
2007	1734
2008	2727
2009	2986
2010	3469
2011	4217
2012	4435