

ROLE OF REMITTANCE IN DEVELOPING COUNTRIES;
A Study of its effect on Nepalese Economy

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A Thesis Submitted to :

Office of the Dean
Faculty of Management
Tribhuvan University

In partial fulfillment of the requirements for the degree of
Master of Business Studies (M.B.S.)

Kathmandu, Nepal

March 2010

RECOMMENDATION

This is to certify that the thesis:

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Entitled

**ROLE OF REMITTANCE IN DEVELOPING COUNTRIES;
*A Study of its effect on Nepalese Economy***

*has been prepared as approved by this Department in the prescribed
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DECLARATION

I hereby declare that the work reported in this thesis entitled "***Role of Remittance in Developing Countries; A Study of its effect on Nepalese Economy***" submitted to Office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement for the Master's Degree in Business Studies (MBS) under the supervision of Prof. Snehalata Kafle of Shanker Dev Campus.

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Exam Roll No. (II Year): 3032

Acknowledgements

This thesis entitled "*Role of Remittance in Developing Countries; A Study of its effect on Nepalese Economy*" has been prepared for partial fulfillment of the requirements for the degree of Master of Business Studies (MBS). I would like to express my profound gratitude to **Prof. Snehalata Kafle** of Shanker Dev Campus for successfully guiding me through various stages of this thesis. I am highly indebted to her for her guidance, encouragement, beneficial suggestions and constructive comments. I extend my sincere thanks to Mrs. Indira Rijal for her valuable suggestion and giving appropriate direction toward good research.

I would like to express my sincere thanks to all the staff members of Shanker Dev Campus especially to Shyam Sir and Library staff members of Central Library T.U. for their kind cooperation. I am also grateful to all the staffs of NRB who provided us the valuable data and publications and the staffs of CBS, survey department which are main inputs to prepare this thesis. My special thanks also go to my colleagues for providing me support through out my research period.

Last but not least, I must express deepest appreciation to my family and my loving husband for their inspiration and support throughout my study. I would like to extend my sincere gratitude to my uncle Mr. Suddha Bahadur Tandukar who helped me to access to previous thesis. I would also like to extend my thanks to those authors, publishers, researchers and all known and unknown friends for taking ideas and thoughts especially in the reference.

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ABBREVIATIONS

ATM	—	Automated Teller Machine
BOP	—	Balance of Payment
CBS	—	Central Bureau of Statistic
FCY	—	Foreign Currency
FDI	—	Foreign Direct Investigation
Forex	—	Foreign Exchange
FY	—	Fiscal year
GDP	—	Gross Domestic Product
GNI	—	Gross National Income
GON	—	Government of Nepal
ILO	—	International Labour Organization
IMF	—	International Monetary Fund
INR	—	Indian Ruppes
MIF	—	Multilateral Investment Fund
MOF	—	Ministry of Finance
MOL	—	Ministry of Labour
MPA	—	Man Power Agency
MTOs	—	Money Transfer Operators
NFA	—	Net Foreign Assets
NLSS	—	Nepal Living Standard Survey
NRB	—	Nepal Rastra Bank
NRS	—	Nepalese Rupees
ODA	—	Overseas Development Assistance
RSPs	—	Remittance Service Providers
SSICA	—	Systematic Secondary Information Collection and Analysis
U.K.	—	United Kingdom
U.S.A.	—	United States of America
UAE	—	United Arab Emirates
US\$/USD	—	United State Dollar
VDC	—	Village Development Committee
WB	—	World Bank

Introduction

1.1 Introduction

1.1.1 Background

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

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

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

International labour migration is one of the key features of the globalized world. Without regarding globalization, analysis of economy of any country becomes incomplete. Globalization is universalization of capital and labor or market economy. Millions of people around the world have left their home countries in search of employment and unaccountable numbers are aspiring and preparing for migration to foreign countries to achieve their dreams of success. Globalization, because of advances in communication, transportation and information technology, describes the growing economic, political, technological, and cultural linkages that connect individuals, communities, businesses, and governments around the world. Due to globalization not only do goods, money, and information move great distances quickly, but also more people are moving great distances as well. Migration, both legal and illegal, is a major feature of this era of globalization.

On context of Nepal also, migration as natural phenomena of globalization era, started on early 19th century and skyrocketed in recent years. Many people are attracted to foreign for different opportunity – employment, education, etc. Migration continues partly because of growing insecurity in Nepal's. In addition, Nepalese must confront a lack of economic opportunities at home and increasing opportunities abroad. However, the migration not only helping the developing countries to fight with unemployment problem but also contributing a lot by earning foreign currency and many more. Remittance is one of the contributing aspects of the migration. Remittance as general word means sending of money to someone at a distance. This is most often done through an electronic network, wire transfer or mail. These remittances represent the most direct and immediate benefit to emigrant families and to the sluggish economy. It has become a significant source of funds for some of developing countries, including Nepal, that receive them from dozen of the countries, they exceed official foreign aid or foreign investment as source of external funds. As a result, Remittances have become an important source of income for many countries. With this, remittance is evolving as new important part of economic environment. Therefore, the government should pay more and more attention in developing appropriate strategies to remittances flows as an important financial source to boost economic development. The government should be able to address, especially, in depressed areas where economic conditions force people to migrate.

1.1.2 Understanding Nepal's Foreign Employment

Nepal is one of the world's poorest and developing countries, with a population of around 27 million and a per capita GDP of under US\$1. Agriculture remains a major source of livelihood, and tourism is also important. But one of Nepal's major exports is labor, and most rural households now depend on at least one member's earnings from employment away from home and often from abroad. Migration from the rural areas to the towns and abroad has increased in recent years because of political instability, lack of opportunities.

a. Nepalese Migration History

Nepal has a long history of foreign employment in India. It is believed that on early 19th Century Nepalese started to go abroad for employment. When Kaji Amar Singh Thapa lost his Malauna Fort to the British 185 years ago, his Gorkhali soldiers looked for alternative employment. They had two choices: join the British forces, or go over to their rival, the Punjab army under King Ranjit Singh. Pretty soon, any Nepali soldier who fought for a foreign army began to be known as a "lahurey", so called after the Sikh king's capital in Lahore (now in Pakistan). Today, any Nepali migrant worker abroad is known by the generic term, lahurey. Significant numbers of Nepali men were employed in Indian Army. As the Gurkha settlements in India increased in number and size, they also attracted Nepali workers seeking civilian employment. In addition, the development of tea estates in northeast India (in Assam and Darjeeling) increased demand for labor. Nepali workers — both men and women — came in substantial numbers, and a significant expatriate Nepali community began to grow in those areas.

During World War, Nepal provided hundreds of thousands of men to fight for Britain and the Allies. Later, many Nepalese decided to settle in India and some of the Gurkha regiments remained with the British Army, when India achieved its independence. Main reason was the economy was rapidly growing and employment opportunities were increasing comparatively. Later with the approval of the Labor Act of 1985, the government of Nepal officially recognized the potential value of foreign labor migration "overseas," meaning beyond the Indian subcontinent. From the late 1980s onwards, Nepalis began to migrate in significant numbers eastwards to Southeast Asia and the Far East and, from the mid-1990s onwards, westwards to the

Gulf countries. Besides India the major destined countries for employment are Hong Kong and Singapore. In 1997 it was estimated that over 40 percent of all Nepalis living and working overseas were in Hong Kong, Singapore, and Brunei — most of them in Hong Kong. The next most "popular" destination at that time was Japan. A significant Nepali expatriate population had also developed in the UK, largely as a result of the "Gurkha connection."

Increasingly, during the latter part of the 1990s, Nepalese began to migrate to the Gulf countries for work, particularly to Saudi Arabia, the United Arab Emirates (UAE), Kuwait, and Qatar. Within a short period, the number of manpower agencies operating in Kathmandu to recruit and send Nepalese to the Middle East had soared, as had the number of Nepalese migrating. The government's only contribution to this massive movement to the Gulf was to establish a consulate in Qatar to supplement the existing embassy in Saudi Arabia. In February 2001, the Malaysian government officially "opened" its labor market to Nepali workers. Within six months, over 12,000 labor migrants had left for Malaysia, and a year later Malaysia was hosting some 85,000 Nepali migrant workers.

The government has done little since then to develop a coherent labor export policy or to provide any kind of training or support packages. The trade unions in Nepal are finally beginning to show an interest in overseas workers. Although officially, Nepal has opened 108 countries for Nepalese workers, there is an estimated half a million to 700,000 mostly unskilled and semi-skilled Nepalese labourers working in the Arabian Gulf. Although, they have now started going in large numbers to other regions as well, the Gulf region has more Nepalese workers than anywhere else in the world. Despite this link, Nepal's relations with Gulf countries have been an often neglected aspect of Nepal's international relations exercise. (Pandey, Nishal. N. *'Labour issues and Foreign Policy* Kathmandu, IFA Publication, April 2005)

b. Consequence of foreign employment

As the output of migratory movement, foreign employment is the engagement in income generating job in the country of which the worker is not the national. A decent employment in the foreign job market calls for ensuring the rights of migrant workers, advancement in job, social protection and worker-friendly environment, safe return and reintegration. Foreign employment as strategic dimension helps economy

expand and diversify the job markets, develops skilled human resources, uses migration as vehicle for acquiring new skills and know-how, and strengthens the economic diplomacy. In its developmental dimension, it reduces the consequences of unemployment, generates greater foreign exchange earnings through remittances, increases the rate of saving and increases the social returns on investments in human resource development. Underscoring its social dimension, it is more concerned with ensuring the decent employment and healthy social well being.

As a labour sending country, Nepal is in line to promote labour migration for two basic reasons comprising of domestic unemployment pressures and earning of foreign exchange in the form of remittances. On average young women and men are two to three times more likely to be unemployed than adults. Foreign employment is cited as the most suitable remedy for the ever increasing unemployment problem prevailing in the country in today's context. International migration-defined as the share of a country's population living abroad-has a strong, statistical impact in reducing poverty. In the regions where development has been slower and poverty more obstinate; rising population, combined with dwindling opportunities impels emigration. And as a major contributing source of remittance, migration for foreign employment in Nepal has been regarded as a safety valve for domestic unemployment and meeting the aspirations of undereducated and educated workers for higher wages. It is estimated that above half a million Nepalese worker are working abroad as documented migrant workers. But the estimated total number of Nepalese workers is more than a million including the undocumented migrant workers.

The realities of foreign employment are worth to assess here. Any study will be incomplete without analyzing both aspects-positive and negative of it. Very less has been talked and studied about the cost of foreign employment within the framework of national economy despite heavy burden of migration costs both in terms of social, economic and psychological costs. Cost and benefit of the migration and foreign employment is neglected. There is little doubt that voluntary migration from a poor to a rich country almost always benefits the individual migrant, who may easily find himself or herself earning in an hour what he or she earned in a day in the country of origin. The question is whether the benefits to individuals (and, commonly, their relatives left behind) aggregate to a general benefit to the home country. The evidence is contradictory and fragmentary. Much of the research that supports beliefs

about the overall costs and benefits of migration is based on "micro" studies and cannot conclusively demonstrate the validity of "macro" conclusions.

In reality, foreign employment is associated with hassles, abuses and exploitation; it is almost trapped into the nexus of migration and human trafficking. Human trafficking and smuggling crime networks are quite effective in comparison to the legal regime of the countries using the opportunities of migration. The cases of social disorders and family breakdowns have been significant while appraising the impact of foreign employment. Reflections of excessive economic and social dependencies towards foreign employment have been experienced due to ever increasing willingness among the youths to enter into foreign job markets beyond the knowledge-based and skill-based capacity. Most of the labour receiving markets desire to use unskilled workers from the developing world due to luring to cutting down the labour costs to be competitive in the markets of goods and services. Too little is known about the remittance behavior of the highly skilled migrant workers than that of semi-skilled and unskilled. Non-professionalism, lack of direct access to employment market, market promotion ability and willingness to have the social accountability among the private recruiting agents are critical realities while assessing the environment of foreign employment in Nepal.

1.1.3 Remittance

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

"Remittances are the expression of profound emotional bonds between relatives separated by geography and borders, and they are the manifestation of a profound and constant interaction among these relatives regardless of the distances between them," according to a study by the Pew Hispanic Center and Multilateral Investment Fund (Pew/MIF 2003). Remittances are that portion of workers' earnings which are

sent back to their countries of origin. We normally think of remittances as monetary transfers from one family member to another, but the definition is much broader than that. Remittances also include goods sent from relatives abroad, money or goods sent from individuals to organizations and communities to which they are connected and investments by the diaspora. The common factor here is that the sender has some sort of genetic link to the destination.

Inward remittances are basically foreign exchange, which is remitted by people who are living abroad to their own countries. The earning of a country by remittances is shown in the Balance of Payments statistics of each country and the accounting is prepared according to the guidelines prepared by the International Monetary Fund. The International Monetary Fund separates remittances into three categories; Workers remittances from workers who have lived abroad for more than one year. It is recorded under the headings 'Current Transfers' in the current account of the balance of payments. The wages salaries and other compensation received by border, seasonal and other workers (such as local staff of embassies), who have lived abroad less than a year are recorded under the 'income' subcategory of the current account. Migrant Transfers are reported under the capital transfers in the capital account. The above definition does not include transfers through informal channels-such as remittances send through friends, family members, Hundi or remittances send in kind such as jewelry and other consumer goods. Although the headings migrant remittances goes only to the workers who lived abroad more than one year but other heading captures the extent of workers' remittances better than the data reported under the headings of workers' remittances alone. For example, in the Philippines remittances send by the seasonal workers through banking system exceed the remittances from the workers' remittances.

Remittances have become the second largest capital flow behind Foreign Direct Investment (FDI) and a head of Overseas Development Assistance (ODA) to developing countries. The most often cited support for the positive side of the argument is the observation that remittances from international migrants play an extraordinary role in the economic accounts of many developing countries, far more important than official development assistance. But, the benefits of remittance income to source countries do not necessarily explain the full impact of remittances on poverty. Remittances may not constitute a rising tide that raises all boats, but they do have a very important effect on the standard of living of the households that

receive them, constituting a significant portion of household income (Newland, Kathleen 'Migration as a Factor in Development and Poverty Reduction', Migration Policy Institute, June 2003). Remittances lift many recipients out of poverty for the time being the remittance continues. The main reason behind this is the relatively small portions of remittances are used for investment because of discouraging investment climate.

1.1.4 Characteristics of Remittance

According to Pant the characteristics of Remittances are as follows:

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

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

1.1.5 Factors Determining the Remittance Income

Pant further highlights the factors determining the remittance income, which is as given below:

1. Number of migrants and the length of stay:

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

2. Macro Economic Activities:

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

3. Foreign Exchange Regime:

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

4. Level of Education:

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

5. Political Stability:

The political stability of the migrant sending country determines the amount of the money send to the country. In a politically stable country there is a positive investment climate, which can make effective utilization of remittances.

1.1.6 Importance of Remittance

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

- Not only the remittance amount, it generated several other important sources of revenue and economic activity to their home countries, investing in small businesses in their home countries, providing financial support to development and philanthropic initiatives in communities of origin.
- The interest generated by the increasing volume of remittances has brought financial institutions such as, commercial banks, credit unions and micro finance institutions into the remittance market; created greater competition for the remitters' business and lower the cost with better services. And also, growing number of money

transfer companies of all sizes have started to employ technology to provide more convenient and efficient services and have become more competitive in the process. Money transfer entities now use technology to increase their distribution or to offer cheaper transactions in an effort to better serve their clients.

- The scale and scope of remittances can be a powerful lever to open up financial systems, mobilize savings, generate small business loans and multiply development impact for local communities in many other ways.
- However, the inevitable impact of these interactions far transcends financial flows; they are shaping our societies in profound ways, many of which are not yet fully recognized or understood.
- Remittances enable many poor households to improve their income levels and standards of living. It also enables persons to obtain goods and services which would otherwise be unreachable, thereby improving their daily lives. Receivers of these remittances, especially those in the lowest income groups, now have the ability to pay for much needed education, food, clothing and other necessities.

Remittance is important to the receiving countries at the micro and macro level. They increase both the income of the recipient and the foreign exchange reserve of the recipient's countries. Remittances generate positive multiplier effects in output if they are consumed, and contribute to output growth in the country if they are invested. Pant further emphasizes on both the micro & macro level implication of inward remittances to its recipients & the nation as a whole.

Micro and Macro Implication

Mostly remittances are used for basic subsistence needs and for daily needs and expenses such as food, clothing and housing. These three components make up a significant portion of the income of the recipients household. They are also used for improving housing, buying land (in urban areas also), buying cattle and buying durable consumer goods. Remittance also is used in social cultural life (birth, wedding, death) and loan repayment of the migrants (often loan to pay for cost of migration) and the family. At an individual level remittances increase the income and reduce the poverty of the recipient's. As the purpose of the remittances is to meet the daily basic needs they tend to be stable over time and may even rise in times of

economic difficulties in the recipient countries. Generally in the developing countries only a small percentage of remittances are used for savings and used as 'productive investment' such as income and employment generating activities as buying land or tools, starting a business and other activities. The biggest contribution of remittances is to the welfare and improved livelihood of the receiving household - be it in terms of basic necessities such as food or clothing or better health or education. However the money spent on better education of the children and health are believed to have a favorable effect on growth, which tends to help in output production. Rural households tend to consume more domestically produced goods and hence generate large multiplier effects than urban households.

At the macroeconomic level remittances provide significant sources of foreign currency, and contribute to the balance of payment. They are used for financing the imports and increase national income. Remittances also contribute to the expansion of communication services, courier companies as well as money exchange services, which contribute to the expansion of economic activities and increase the employment opportunities. Remittances also have the history of dramatically changing the investment climate of the Philippines after the Asian Financial Crisis of the 1990's.

Remittance are important to Nepal at the both micro and macro level as the income of the recipient and the foreign exchange reserve of the country. Remittances generate positive multiplier effects in output if they are consumed and contribute to economic growth if they are invested productively. So, importantly, in developing policies and programs to help increase the multiplier effect of remittances, programs must be designed keeping the benefits of these inflows to the macro economy in mind and the purpose for which these flow originated. Since, the beginning of insurgency, the volume of remittance to Nepal has grown rapidly. Indeed, remittance flows are increasingly important relative to other foreign exchange-earning activities, representing around 12.17 percent of GDP, 120% of exports and around 50% of imports in the fiscal year 2004/05.

1.1.7 Inward Remittance Business in Nepal

Nepal is one of the world's developing countries, with a population of around 28 million. It is a Himalayan Kingdom wedged between two emerging global economics

powers, India in the east, west and south with an open border and China in the north, Nepal is least developed, landlocked, geographically disadvantageously placed and economically vulnerable nation of enormous ecological diversity.

Migration & Immigration Fact Book 2008- By Uri B. Dadush, Dilip Ratha, Zhimei Xu has categorized Nepal as Low Income Countries and UN Classification as Least Developed Countries. 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 earning from employment away from home and often from abroad. The Labour Act of 1985 has facilitated arrangements for Nepali migration to about a dozen specified countries, but the government has failed to develop a coherent labour export policy. Every five years, the government of Nepal produces a plan as a policy guideline. Although the current 10th plan recognizes both the contribution remittances make to the national accounts and the increasing demand for Nepali workers abroad, the government is struggling to keep up with these trends.

In the last decade, foreign labour migration has become a major feature of Nepal's economy and society. More than 700,000 Nepalese work "overseas", meaning beyond India, mainly in the Middle East, East Asia and Southeast Asia. About five percent of these are women. And equal numbers of Nepalese workers work in the private sector in India, and more than half in India's public sector.

Although average earnings are low and individual remittances relatively small, the aggregate value of money sent (or brought) back to Nepal from India has been substantial – probably between 25 and 30 billion Nepalese rupees (NRs), or about US\$450 million to US\$500 million, in the mid-1990s according to a study by Seddon, Adhikari, and Gurung. It was estimated that the same amount thought to be receiving from other countries not including India in 1997. The bulk of these remittances came from Southeast Asia (Malaysia, Singapore, and Brunei) and the Far East (Hong Kong, Japan, and Korea). That number, combined with the remittances from India, would be between 50 billion and 60 billion NRs – nearly US\$ 1 billion and between 18 and 22 percent of Nepal's GDP – a very substantial contribution to the national accounts and the national, regional, and household economies. And on 2007 over US \$ 1.4 billion came into the country through formal channels, which is around 60 percent of the total inflow.

Along with the growing competition, a lot has changed in the formal market. Globalization and development in technology and much other things, people are becoming much more aware. The process has also been simplified a lot. And the increase in competition is due to the higher inflow of remittance; so, overall, the companies are also not losing anything. And the increase in competition has pushed the money transfer services providers to concentrate on improving their service quality. Around, 29 Licensed Money Transfer and Principal Companies are working actively presently and they are sharing their market with almost all banks. Currently 25 Licensed Commercial Banks are operating.

1.2 Focus of Study

Remittance has great effort on the upsurge the economy of the country. Since, foreign employment is cited as the most suitable remedy for the ever increasing unemployment problem prevailing in the country in today's context. Various manpower agencies are helping people for better employment opportunities outside countries, bridging up the gap between the larger idle work force available in our country and the demand of larger work force in other countries. Though remittance considered the main pillar in our economy but it consists many pros and cons and the main focus of this study is to analyze more specifically the positive and negative aspect of inward remittances, its economic implications and its effect on economies.

Under the broad framework of the Remittance and developing countries' economies, the study is focused on the influence of remittance on Nepalese economy. The remittance could have been studied in broad way dealing with its processes, organizations practicing remittance function, laws and rules regarding remittance, etc; but, due to the limitation of the study, it is not possible to study the remittance procedures in detail so the study is focused on overall remittance procedure and overall data of it. As the Nepal Rastra Bank is the Bank of the Banks and Bank of the government, its one of the main function is collection and publication of data related to various aspects of the national economy for evaluating, analyzing the financial and monetary condition of the country. Thus, the study is conducted by focusing on the data and statistic provided by Nepal Rastra Bank whereas other sources of information are also been referred.

1.3 Statement of Problem

Remittance is emerging concept. Though, foreign employment is not new but the practice of remittance is recently burgeoning. It is emerging and making important effect on the economies of Developing countries. Money used to be transferred through informal channels and ways so its effect could not be ascertain in past years. However now through the formal process, records are kept and its effect could be assessed without doubt and precisely. Yet it is new concept so there are some problems. Lack of information, still use of informal channels, lack of provisions, unaware of the system and many other problems are still effecting. A study showed that remittance inflow through the banking channel has reduced, but the total inflow has not reduced because of informal channel. This on one hand hampers in the process of official data collection for finding out the volume of inward remittance in accurate figure and on the other hand it involves risk of forgery while sending money through improper channels.

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

- ⊕ What are the situations of migration, foreign employment of Nepal?
- ⊕ What are the prevailing practices and provision of Nepal regarding Remittance?
- ⊕ What is the impact of inward remittances on the Nepalese economy, what is their contribution to the GDP?
- ⊕ What is the relationship of remittance with different economic factors; Current Transfers, Foreign Assets, Foreign Direct Investment, and others?
- ⊕ What can be done to bring the money transfers into the official fold?

1.4 Objectives of Study

Considering the above given points of focus of study and statement of problem, the objective of the study will be to evaluate the effect of remittance on developing countries' economy basing on Nepalese Economy particularly related to the following propositions.

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

1.5 Significance of the study

The study has been focused on the important topic of this era; therefore, the study deserves some significance of its own kind in this field. In this globalized age, communication, transportation, and information technology has connected individuals, communities, businesses, and governments around the world. Earning from a part of world is helping the other part of world, as remittance has become an important source of income for many countries. A recent report of the Nepal Rastra Bank stated that remittance keeping economy alive. Though, foreign employment and migration is increasing and importance of remittance is experienced but there is information gap about remittance in general people. Some are still using informal channel for transfer of money. So, clear picture of remittance process can be effective way to attract people to know about remittance and its effect.

The study is devoted to assess the prevailing practices and provision for transfer of money and also its effect the Nepalese economy. Thus, it will provide important guidelines about transfer of money. It will also help to assess the effect of the remittance the economy. There is no doubt that the study will also have multi dimensional importance for various areas, i.e., different commercial Banks and financial institutions, money transfer centers, government bodies and policymakers such as central banks.

Workers' remittances have become a major source of external development finance, providing a convenient angle from which to approach the complex migration agenda. The development community needs to consider how to best manage remittance flows

and how the body of research on remittances can be strengthened, both for the purpose of understanding the impact of remittances and for forming more effective policy for managing remittances. This research looks at these questions and explores ways to improve on the knowledge and impact of remittances in development.

Similarly, the finding of this study will be equally important to the others who are interested to know about this area. Last but not least, it will provide relevant and pertinent literature for future research on the area of remittance and its effect.

1.6 Limitation of Study

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

- ⊕ The accuracy of the finding depends on the reliability of available information; since study is mainly based on the published secondary data and gathered from related source.
- ⊕ The non-availability of various resources also acts as constraints; time constraints, limited budget, lack of experience, lack of up-to-date information.
- ⊕ Only limited time period is taken for the study because of different constraints.
- ⊕ This study is focused on remittance related factor and overall remittance effect only.

1.7 Organization of Study

The whole study has been divided into five chapters.

The **1st Chapter** incorporates the general background, focus of the study, significance of the study, statement of the problem, objectives of the study, limitations of the study and organization of the study.

The **2nd Chapter** gives readers background information which continues from chapter I and gives the brief conceptual framework as well as reviews the existing literature in relevant area.

The **3rd Chapter** deals with the methodology adopted in carrying out the research and it includes research design, population & sample, sources of data and the methods of data collection.

The **4th Chapter** deals with the presentation and analysis of relevant data and information. Various analytical tools have been used to analyze and interpret the result.

The **5th Chapter** summaries the whole spectrum of the study and offers recommendations for the improvement of the institution.

Bibliography and Annexure have been presented at the end of the report.

Review of Literature

2.1 Conceptual / Theoretical Review

2.1.1 Employment; Undisputed factor for economic development

Employment is considered as important link in the process of economic development. It is main means of transforming economic development into an opportunity for poverty alleviation. According to Zweig 'to provide full employment is the main objective in the planned economy and the main function of planned activities is to establish full employment.' Employment is the primary channel through which the majority of the population can share in the benefits of economic growth. Enhanced employment opportunities provide individuals with new, and often better, sources of income.

In this globalize era, people search for better and new opportunities and possibilities within international market. And also, small developing country face special disadvantage associated with limited domestic markets, remoteness landlocked, a narrow utilization resource base, indivisibilities in investment and proneness to nature disasters. These characteristics greatly increase the vulnerability of the economies to external factors over which they have little control, but which play a major role in influencing the path and pattern of economic growth and development. Globalization is universalization of capital and labor or market economy. Migration, both legal and illegal, is a major feature of this era of globalization.

E.G. Ravanstein defined reasons for migration as push factors and pull factors. As Ravanstein –"People move for a variety of reasons. They consider the advantages and disadvantages of staying versus moving, as well as factors such as distance, travel costs, travel time, modes of transportation, terrain, and cultural barriers. " (<http://www.nationalgeographic.com/xpeditions/lessons/09/g68/migrationguidestudent.pdf>) Push factors are difficulties and pull factors are something desirable. Several

types of push and pull factors may influence people in their movements; Environmental, Political, Economic, Cultural.

a. Foreign Employment;

With the introduction of the migration, the foreign employment came into existence. Foreign employment means the engagement in income generating job in the foreign land. Today's young people are the most educated generation ever. They have clear ideas about fulfilling their aspirations at work and in society and want opportunity for personal autonomy and active citizenship. They want the chance of decent job. Achieving decent work for youth is challenge shared by all countries across the world. The key issues for the proper and decent foreign employment are the rights of migrant workers, advancement in job, social protection and worker-friendly environment, safe return and reintegration. It benefits economy in different ways. As the strategic dimension, foreign employment expands and diversifies the job markets, develops skilled human resources, uses migration as vehicle for acquiring new skills and know-how, and strengthens the economic diplomacy. In its developmental dimension, it reduces the consequences of unemployment, generates greater foreign exchange earnings through remittances, increases the rate of saving and increases the social returns on investments in human resource development. Underscoring its social dimension, it is more concerned with ensuring the decent employment and healthy social well being.

The basic motive for venturing into distant lands now become quest for better economic opportunity and improved living standards rather than just food and shelter. For good opportunity youth are migrating. Migration is inevitable factor now a day. People travel from their homeland to alien land in hope of good future, better opportunity.

Globalization of integration of regional economies has added impetus to the growing mobility of workers across abroad. And also, with the ebb and flow of time and the innovations in easy air travel, communications and improved productivity, migration was not necessarily a permanent relocation. By working in a factory thousands of miles away now a migrant worker can send money back to his family in the remote hill of his country and also return for a reunion during holidays. Foreign employments become a major source of national income for many developing countries. (Pandey,

Nishchal N. (April 200 j.p-i) Institute of Foreign Affair policy study series V; Labour forces and Foreign Policy Kathmandu, IFA Publication.)

And beside these, in reality, foreign employment is associated with hassles, abuses and exploitation. It is not only about benefits, it incurs cost. Developing crime networks, i.e. human trafficking and smuggling, social disorders and family breakdowns, dependency toward foreign employment, exploitation of labour are major cost that has to be faced because of foreign employment.

But still the cost and benefit of foreign employment is not taken into accounts. Many developing country governments encourage international labour migration, more often implicitly than explicitly. By providing employment for both unskilled and skilled workers, emigration offers an outlet for domestic frustrations that might otherwise present serious political problems, and can produce large inflow of valuable hard currency remittances.

b. Destination Countries

The factors leading to population movements are many and complex: supply or push factors in countries of origin; demand or pull factors in countries of destination; and formal and informal networks that link supply with demand. And also, reason for population movements are an oversupply of workers in countries of origin, labor needs in destination countries, and formal and informal networks that link supply with demand.

Skilled labour is an abundant factor of the industrial world and unskilled labour the abundant factor in the developing world. Globalization should therefore be associated with an increase in the relative demand for skilled labour in industrial economies and unskilled labour in developing economies. (Rama, Martin, *Gobalization and the labour Market*, in "Research observer", The World Bank, Washington D.C., Vol. 18, Fall 2003, p.p. 160). Both the developed and developing countries have much to gain from an increased flow of workers. Poor countries gain from higher wages as well as from remittances that accrue from migration. Wage and opportunity gaps between rich and poor countries, regional conflicts and political instability in developing countries, the relative share of young adults in the population in sending and receiving countries, etc. are still deriving North-South and South-South migration.

(WB, *Global Economic Prospects-2004*, The World Bank, Washington D.C., 2004, p.p. 145)

Migrant workers from South Asia joined the labour market predominantly in Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Qatar, Oman, Iraq and Libya. The main destination of people from south Asia is the Middle East but many stay within India and Pakistan. The majority of the migrant workers from South Asia move towards the Middle East and Gulf countries and most of them are unskilled and semi-skilled workers; minorities are skilled construction workers. Those going to the developed countries are mostly skilled and professional workers in sophisticated sectors like information technology, accountancy, engineering, medicine, etc.

c. Migration and Destination Countries in the Nepalese Context

Foreign labour migration has a long history in Nepal. Very beginning of the migration in context of Nepal was believed to start in the early 19th century to Lahore to join the army. Now days, due to growing unemployment and political conflict, unsecure environment, Nepali Workers are going for employment in most of the countries of the world. As a result, 3.2 percent of the total populations are working in various destination countries of the world.

Migratory movements of Nepalese workers have grown rapidly in the last two decades. Lack of employment opportunities in the country and low levels of income are the prime causes for the migratory movements. Unable to absorb the growing labour force, the Nepalese government has been promoting overseas employment opportunities for its citizens.

A large number of Nepalese have migrated primarily to India and China (Hong Kong) to work as farm labourers and industrial workers. There is little data on the flow of Nepalese migrant workers to India and at the same time the Indian migrant workers in Nepal. This is because Nepal and India share a common, open border and nationals from either country require no travel permit or passport to cross the border. The number of Nepalese migrant workers seeking jobs in countries other than India has been growing for three main reasons. Firstly, the population of the country is growing rapidly. Secondly, the major occupation of Nepal i.e., agriculture could not be or has not been able to grow fast enough to absorb growing manpower. And lastly, wages in Nepal as well as in India are often too little to support a family.

In case of different region of Nepal, Western Development Region populations are migrated most. Eastern Development Region migrated to Gulf area-South East Asia, Central Development Region to Developed Countries and Far Western and Mid Western Region to India.

According to study and research conducted by *Ganesh Gurung*, it has been noted that the preferences of Nepalese workers for their destination country are dependent on their socio-economic condition, education status, extent of access to information, and their existing networks. For example, the poorer they are, the more likely they are to work in countries nearer home, such as in India. Further, individuals often select the cities of destination based on the experience of people they know who have already migrated to the same location. Above all however, Nepalese workers, given the choice and opportunity, gravitate towards destinations that offer the highest salaries. (Gurung, Ganesh - "*Patterns in Foreign Employment and Vulnerability of Migrant Workers*", Nepal Institute of Development Studies, p.p. 10)

The choice of Destination country depends on Socio-economic status of the person. The rich people more likely to choose destination countries at Australia, Canada, Japan, UK, USA, then Belgium, Germany, Switzerland (European Countries), whereas the people whose economic status aren't so good opt to Malaysia, Singapore, South Korea, Guam, Gulf Countries and lastly India. Nepalese workers opting to work in the Gulf countries are found to be less educated and less wealthy than those heading for North America, Europe or to Far East countries like Japan and South Korea.

And study of *Patterns in Foreign Employment and Vulnerability of Migrant Workers* by Ganesh Gurung, Nepal Institute of Development Studies shows the people prefers the destination countries as

Table No. 1: Choice of Destination Country

Economic Group (from riches to poorest)	Choice of Destination Country
A	Australia, Canada, Hong Kong, Japan, United Kingdom, United States
B	Belgium, Germany, Switzerland
C	Guam, Malaysia, Maldives, Singapore, South Korea, Taiwan,
D	Gulf Countries
E	India

According to study, Nepalese workers opting to work in the Gulf countries are found to be less educated and less wealthy than those heading for North America, Europe or to Far East countries like Japan and South Korea (Group A). One reason could be the prohibitive costs in getting jobs and visas for those countries. Another could be that because they are less educated, these migrant workers have less confidence in their ability to adjust in North America, Europe and the Far East. Another could be the lack of relevant information concerning job opportunities and the ways of gaining access to these better-paying countries. Still another could be the absence of reliable networks within their communities to provide them with the appropriate information or incentive to get there.

2.1.2 Remittance

In general use remittance is known as the sending of money to someone at a distance. But usually worker remittances have generally been understood as a portion of earnings migrants send from a country other than their own to a relative in their country of origin for the purpose of meeting certain economic and financial obligations. Remittances are earnings from abroad sent to families of immigrants; they are also foreign savings like earnings from trade, or foreign investment and aid. Remittance transfers may be domestic or international. Domestic remittances means when there is migration from rural to urban areas within a country and money transferred between them and international remittance is defined as cross-border payments, i.e., send money to their families in their home country. But usually the term remittance is refers to international remittance

Remittances defined as monetary funds sent by individuals working outside of their home countries to recipients in the country that they came from. This is most often done through an electronic network, wire transfer or mail. An advance in communication, transportation, and information technology has connected individuals, communities, businesses, and governments around the world. This is Gobalization and Remittance is outcome of this practice. Remittance has become one of important source of income for many countries. The money remitted home is one of the most visible – and beneficial – outcomes of global migration.

Remittance by international migrants to their home countries have grown dramatically in recent years. They are now the largest source of external finance for developing nations after foreign direct investment (FDI). For many countries, remittances are larger than FDI, and in some cases, larger even than official development aid. The flow of funds from migrant workers back to their families in their home country is an important source of income in many developing economies. The recipients often depend on remittances to cover day-to-day living expenses, to provide a cushion against emergencies or, in some cases, as funds for making small investments. Remittances also now account for about a third of total global external finance; moreover, the flow of remittances seems to be significantly more stable than that of other forms of external finance.

2.1.3 Use of Remittance

In the past, many observers have taken a dim view of the economic impact of remittances, primarily because they believe that the bulk of such monies are spent on personal consumption. Shahid Perwaiz in his analysis of remittances in Pakistan writes that most such earnings are “frittered away in personal consumption, social ceremonies, real estate and price escalating trading”. Other country-level studies have also lamented both the low levels of international remittance earnings that go into investment and the large amounts of such earning that are spent on consumer durables, housing and land. Empirical evidence overwhelmingly indicates that bulk of remittances is spent on consumption, debt repayment and housing and consumer durables with little being devoted towards productive investment.

In more recent years uses of remittances from overseas and their implications for development have become a focal point of ongoing debate concerning costs and benefits of international migration. Several empirical studies have appeared to refine these rather pessimistic conclusions. It was found that indeed more than half portion of remittances from abroad are used to increase consumption and that of other most “investment” went into real estate and housing and few on direct investment and financial investment. However, the use of remittance has become the question? To visualize these issues, some of the references are become more essential for further study in Nepal. In this context, it is important to know that how the people are spending the remittance? Moreover, whether the earnings are helping in improving their social and economic conditions?

There can be no debate about the fact that remittance contribute to the overall economic growth. The use of the remittance priority wise basically done on households' economies & family and then other investments.

a. Living standards of the family

Migration and remittance has undoubtedly had a positive impact on certain aspects of family life. Families with emigrants are enjoying better social amenities as compared to families of those who have stayed back because of the remittance sent by their family working abroad. The families are able to send their children to better schools and children have taken advantage of this. Migration has also brought about a progressive change in the attitude of parents towards education, especially female

education. The families are able to send their children to better schools and children have taken advantage of this. Migration has also brought about a progressive change in the attitude of parents towards education, especially female education.

b. Saving and investment

A major part of the foreign savings and earnings of migrant workers have been used for daily consumption needs, investment in property or house construction, repaying debts and marriages of family members. Investment in land is the safest and most profitable avenue for investment and more than half per cent of remittances from migrants were ploughed into real estate.

c. Economic growth of Country

The remittances sent by migrant workers, accounting for a significant share in foreign exchange earnings of nations and GDP growth, contribute significantly to the economic betterment of migrants' families. They also act as the engine of economic growth of many developing countries. Outmigration makes a significant contribution to reducing unemployment and underemployment in labour-sending countries. Most governments in South Asia view outmigration as helping to curtail unemployment, reduce poverty, and earn foreign exchange through remittances. Remittances sent by migrant workers become a significant source of funds for economic development of the nation. Thus, most governments have promoted out-migration through institutional support of recruitment and policy implementation promoting overseas employment. Labour out-migration from South Asia has been a significant factor in the economic growth of individual countries, reducing unemployment, helping earn foreign exchange and enhancing migrants' skills.

However, the utilization pattern of remittance shows majority of remittance was expended on unproductive sector. Investment on productive sector has decreased considerably. Remittance has increased house hold income vis-à-vis the expenses increased to the unproductive sector rather than increasing the productive sectors. The scenario has developed a proposition that "higher the income higher the amount is expended in basic needs rather than investing productive sectors."

Even though majority of remittance are expended on unproductive sector, remittances from people working outside contribute significantly to the national

economy. It is generally felt that it is the remittances that have been propping up the national economy, which has been adversely affected by the decline in agricultural production and productivity and political unrest. Remittance uses contribute to increased welfare over time and are positive even from national point of view and, therefore, pessimistic view regarding remittances uses should not be applied across the board but should be restricted to specific circumstances and situations.

The scholars debate whether these uses are productive or wasteful with two divergent schools of thought on the subject. Negative school of thought holds that as little is devoted to productive investment, developmental value of remittance is highly questionable. Positive school of thought holds that remittances do contribute to local and national development. Thus the relationship between remittances and development remains complex, poorly understood and hotly debated.

2.1.4 The Remittances Transfer

The market for Remittances consists of remittance transfer and remittance services providers. Remittance transfer may be domestic or international. Money transfer within country boarder is domestic transfer and transfer across the country boarder is international transfer. But generally the term remittance is used in indicating international transfer. There are many different ways that remittance transfers can be made; including cash-based services offered by individuals, services from specialized global money transfer operators and bank-to bank transfers. The key participants in remittance transfer are the sender, the receiver and the remittance service providers. For a remittance service to work, it needs to have some kind of a "network" (i.e. access points, where consumers of remittance services pay and receive funds. Also needed are procedures to link those access points to enable messaging (the transfer of information about the remittance) and settlement (the transfer of the funds themselves). Some RSPs, such as global banks, may have branch networks they can use for this purpose ("unilateral service"). Others, including smaller RSPs, may use a network provided, for example, by one of the global money transfer operators ("franchised service") or may have to cooperate to create a network ("negotiated service"). In all these cases, the RSPs providing a service have a direct relationship with each other, enabling them to agree and publicize the speed and total price of the service (including any fee charged to the receiver of the funds). Another type of service, provided by most banks for example,

uses correspondent banking to send a payment to virtually any other bank in the world ("open service"). This almost unlimited global coverage is valuable, not least to ensure even the smallest remittance corridors have a service; however, a corresponding disadvantage is that the RSP often has no direct relationship with the bank to which the funds are being sent and thus no knowledge of the fee the latter might charge the receiver or the total time taken.

The elements of remittance transfer are capturing, disbursement, messaging, settlement and liquidity provision.

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

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

Messaging: In case of open service, where there is no direct relationship with capturing RSP - its agent and disbursing RSP - its agent, the information from the capturing agent to disbursing agent will sometimes travel together with the funds – i.e. passed through the various intermediaries in the settlement process. This process is time consuming and involves many problems. Where as in other remittance services, the information will be transferred independently of the funds (directly from capturing agents to the disbursing agent, with a copy to the RSP) by any one of a wide variety of means (internet, e-mail, fax, phone, etc.). Even if most information is

transferred directly, enough information should also travel with the funds so that for each step in settlement chain, the payee knows where the funds are next destined and so that, as necessary, the funds can be matched to the specific remittance transfer.

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

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

2.1.5 Problem of Remittance

Remittances still an emerging concept. Over the past few years, remittances have become a major phenomenon in international finance. Although the practice of migrants in developed countries sending funds home to family members still residing in developing nations has been occurring for many decades, the magnitude of remittances has skyrocketed. Only relatively recently have scholars and policymakers begun to appreciate and study this phenomenon. Thus, remittances can nevertheless cause problems. Still, remittances are not hazard-free. For instance, large inflows

into small economies can cause the domestic exchange rate to appreciate (i.e., the domestic currency becomes more expensive relative to foreign currency), thereby making tradable items, such as cash crops and manufactured goods, less profitable. Also, governments may develop a dependency on large flows of remittances, thus creating a disincentive to pursue aggressive economic policies to promote sustained development. There are other problematic aspects associated with remittances.

a. Problem in the market of remittance

Remittance by individuals working abroad to their home country is a very old phenomenon but the modern appreciation of it as a development tool is very recent. Though it has become major phenomenon in international economy, yet it is new concept and prevail some problems or inefficiencies on the market of remittances. The key issues or the features of the market for remittances that can lead to inefficiencies in the way remittance services are

- ⊕ **Lack of Transparency in the market and of understanding by users;** whatever the service offered, senders and receivers should be able to have full information but the market for remittances is not always fully transparent. Some reasons for this are exchange rate (differs as RSPs and vary from day to day), disbursing fees (depends on type of service), speed of services, etc.
- ⊕ **Weaknesses in the Infrastructural that is used to provide remittance services;** another problem in the market for remittances is the difficulty that can exist in creating suitable infrastructure to support the services. It consist three possible difficulties: creating a network of access points; weakness in the financial infrastructure in receiving countries, and the often relatively under developed state of cross border retail payment arrangements.
- ⊕ **The possibility of adverse effects from poor or disproportionate regulation or a weak legal framework;** here there is less of a consensus on what needs to be done, and although such regulation may often be useful, in some cases regulation may have an adverse impact on the market. And also in a number of countries such a framework does not exist.
- ⊕ **Lack of competitive market conditions;** exclusivity conditions sometimes occur with negotiated and franchised service. By restricting choice they may

create an increased likelihood of de facto local monopolies. Also, in most countries only banks are allowed to be direct participants in domestic payment systems which creates competitive disadvantage to non bank RSPs.

⊕ **Risk;** it involves different type of risk - financial, legal, fraud, reputation. Main causes for risk are markets are not very transparent, weak legal basis, financial system is not well developed.

b. Significant reductions in remittances can collapse economies: the "ghost-town" phenomenon.

One negative effect that remittance flows can have on a developing economy is sometimes referred to as the "ghost-town" phenomenon. It essentially refers to an exodus from or abandonment of localized areas, typically small villages in rural regions, whose economies had grown dependent on the inflow of remittances. The result is a collapse of these local economies when the inflow decreases significantly or suddenly stops. Central Mexico has been hit notably hard by this phenomenon over the past ten years. Before they used to migrate to the U.S. only temporarily but later due to increased U.S. law enforcement along the border made seasonal trips more risky, migrant stationing in the U.S. permanently and bringing their families. Once these families left, so did their remittances. Without the inflow of remittance money, such places experience an economic collapse and further abandonment.

c. Remittances may be "easy money" that negatively affects economic development, but the use of remittances will vary from country to country and even among regions within countries.

Another negative aspect of remittances was revealed by a study done on twenty-two migrant communities in Mexico in 2001. It reported that only about 10% of remittance funds were invested or saved. Instead, the bulk of the money went to raising the standard of living for the receiving family—i.e. a new house, a car, a bigger T.V., etc. The study also theorized that remittances created an "easy money" cycle where the receivers of remittances treated the money like allowances and, thus, had little incentive to work. This resulted in significant social costs, such as a reduction in the labor supply, which hinders economic development. Thus, many developing countries are watching their best and brightest leave to put their valuable human capital to use elsewhere—the "brain drain"— while the money they earn and

send home contribute little to the home country's economic growth, despite the resulting increased consumption. But this phenomenon is not usual. The use of remittance may vary from country to country or place to place. In some places, the remittances earning are been utilized into saving or towards investment, rather than spending it on consumption.

d. Poverty-Reduction: Inequality between Remittance-Haves and Have-Nots

There is growing evidence that remittances have reduced poverty levels in several developing nations. One study of 71 developing countries found that a per capita increase of 10% in international remittances leads to a 3.5% decline in people living in poverty. In another study, the World Bank concluded that, based on available data, remittances have been associated with reduced poverty in several low-income countries such as Uganda (11% reduction), Bangladesh (6% reduction), and Guatemala (20% reduction). However, there is also conflicting evidence that remittances have very little impact on the incidence of extreme poverty, or, even worse, the opposite effect. Some analysts argue that remittances in some countries contribute to a growing inequality or gap, particularly in poor rural areas, between the groups of people within a community who receive remittances and those who do not. This may reflect the cost of sending family members to foreign lands to work. Migrants are typically from families that are neither the poorest (who cannot afford to send someone away) nor the richest (who have no need to send someone away) in the community, but who have a status more analogous to middle-class. Additionally, increased income to remittance-receiving families can lead to the formation of "affluent" neighborhoods that stand apart from the rest of the poor village. The poorest families thus seem to be even poorer in comparison to the much-improved lifestyles that remittance money allows some families to suddenly have.

2.1.6 General Principles for the international Remittance services

The general principles are aimed at the public policy objectives of achieving safe and efficient international remittance services. To this end, the markets for the services should be contestable, transparent, accessible and sound. The general principles are aimed at all RSPs except those whose services are based on purely physical transfers of cash (e.g. where cash is sent by courier from one country to another).

Transparency and consumer protection

General Principle 1. *The market for remittance services should be transparent and have adequate consumer protection.*

Payment system infrastructure

General Principle 2. *Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.*

Legal and regulatory environment

General Principle 3. *Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions.*

Market structure and competition

General Principle 4. *Competitive market conditions, including appropriate access to domestic payments infrastructures, should be fostered in the remittance industry.*

Governance and risk management

General Principle 5. *Remittance services should be supported by appropriate governance and risk management practice.*

(Source: CPSS/World Bank - Consultative report on remittances - '**General Principles for international remittance services**' March 2006, p.p. 3)

2.1.7 Importance or Significance

The topic of remittances has become a popular one in the international financial community in recent years as both the rate and volume of remittances have increased exponentially. Remittances are a reliable source of foreign capital and least volatile sources of foreign exchange. Remittances have developed into an important source of income for many developing countries and, thus, have significant effects on their economic stability and growth. Remittances can be analyzed for various reasons - for example, because of their impact on development, because of the close relationship with often politically sensitive migration issues or because of the need to

monitor the flows for balance-of-payments purposes. All these aspects of remittances are interrelated and so cannot be ignored.

The role of immigrant remittances in economic development continues to be an important issue for researchers and policymakers. Both groups (sending countries and receiving countries) are attracted to immigrant remittances because they represent a substantial flow of financial resources, predominantly from developed economies to developing economies.

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

1. On balance, remittances benefit developing countries.

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

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

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

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

2.1.8 Remittance transfers to Nepal (methods)

Short-term migrants use different official and unofficial channels for sending remittances home. Official channels include demand draft issued by a bank or an exchange house, travellers' cheques, telegraphic transfer, postal order, account transfer, ATMs, etc. The unofficial routes are the hundi system, departing friends and relatives. With today's global economy and advanced technology, different ways for transferring money overseas are constantly evolving. Currently they generally fall under one of these types:

- **Money Transfer Operators/Transmitters (MTOs)**

MTOs are companies that offer services that only send money between countries. They do not generally require receiver to open an account and agents are usually easy to find in high streets, where they can be found in various locations from post offices to hairdressers. Some traditional MTOs can send money online to be picked up in person at one of their agents. The sender will need a bank account with a debit card, credit card or prepaid debit card.

- **Through banks**

The majority of banks will be able to transfer money if both sender and the person to whom are sending money to have bank accounts. It is worth noting that some banks

may not charge their customers to withdraw money from ATMs in the country, which will make it cheaper if you are visiting and need to withdraw your money.

- **Online money transfer**

Money can be sent over the internet, often for a very small fee, but user will need to have a bank account or credit card, as well as access to the internet to transfer the money; the user will also have to register online. The receiver of the money may also need a bank account and access to the internet.

- **New technology transfers**

Some companies use new technologies for remitting money online. A pre-paid debit card (such as VISA, Mastercard or Maestro) is sent to the recipient that can then be topped up by the sender whenever necessary. Money can be withdrawn as and when it is needed through any ATM without the recipient needing a bank account. There is also a growing trend in using mobile to send money by SMS.

- **Foreign exchange providers**

When transferring much larger amounts of money, for purchasing a property or starting up a business for example, it may often be cheaper to use a reputable currency broker. In most cases, the sender will have to open an account with the company the sender intends to use. However, the benefit of using such companies means that the sender can make specific arrangements for their individual needs such as fixed exchange rates for a set period.

Some MTOs and banks will let the customer transfer the money using the internet. Most of the remittances happen by the conventional channel of agents (Western Union, Moneygram). However, with the increasing relevance and reach of the Internet, online money transfer has gained momentum over the years.

Whereas on the other hand different informal ways to transfer money are still preferred and practiced.

- **Hundi**

Hundi or Hawala is an indigenous, informal banking money transfer system. In the system, money is transferred via a network of hawala brokers, or hawaladars. A customer approaches a hawala broker in one city and gives a sum of money to be transferred to a recipient in another, usually foreign, city. The hawala broker calls another hawala broker in the recipient's city, gives disposition instructions of the funds (usually minus a small commission), and promises to settle the debt at a later date. The unique feature of the system is that no promissory instruments are exchanged between the hawala brokers; the transaction takes place entirely on the honor system. As the system does not depend on the legal enforceability of claims, it can operate even in the absence of a legal and juridical environment. No records are produced of individual transactions; only a running tally of the amount owed one broker by the other is kept. Settlements of debts between hawala brokers can take a variety of forms, and need not take the form of direct cash transactions. Hawala is attractive to customers because it provides a fast and convenient transfer of funds, usually with a far lower commission than that charged by banks. Furthermore, the transfers are informal and not effectively regulated by governments

- **Hand Carriage**

Hand-carriage is another informal money transfer system. In this method, migrant may either carry the money by him/herself or give them to family members or friends, who travel to their homeland. If migrants give their remittances to a family member or a friend, the transfer is free of charge, so the method is popular amongst many migrant. The migrant also does not have to look for trustworthy persons that can take the money with them, nor does s/he need any documents. Depending on how many reliable colleagues a migrant has got, s/he may or may not send money home regularly.

Remittances play a central role in the economies of many labour sending countries including Nepal. Various mechanisms have been employed by the Nepalese workers in sending money back home. For example, earlier, there was growing interest in the relative performance of informal channels such as the hundi system of money transfer that normally lie outside the formal and regulated banking sector and cost half or less than formal banking with respect to commission. However, this has

changed and there is considerable interest among policy makers in drawing more remittances into formal, regulated, channels.

As described above different modern and formal ways for transferring money are introduced in Nepal. Thus, these transfers are only used by very few migrants, mainly staying in Western Europe. The main problem is that most migrants, and especially their families in Nepal, are not familiar with banking and modern technique services. So it becomes almost impossible for the recipients to obtain the money. The bank transfer is also very slow. Furthermore, illegal migrants can not obtain a bank account in their host country, and many (rural) areas in Nepal simply lack the required bank infrastructure. The main reasons for not using a commercial bank or other formal channels is the lack of banks, limited knowledge about commercial banking and new technology and the slow transfer process (Hand carriage and hundi are much faster). People are trust their traditional ways of remittance transfer more than they trust commercial banks.

Hundi is very common for sending money from other Asian states than India. Migrants that have worked in the Middle East, Hong Kong, Malaysia, Japan, South Korea, Taiwan and Western countries used the hundi system (amongst others). Depending on the sending country, the money does not flow directly to Nepal, but flows via other hundi centres like Honk Kong or Dubai. Sometimes the money is first converted into gold or other goods. Only once it arrives in Nepal, it is reconverted into cash. The hundi system is more prevalent when migration is illegal. None of the migrants recorded any losses or bad experiences with the hundi system. Hand-carriage is the most common form of remitting money to Nepal, especially among migrants in the Gulf States and India. In India, hand carriage is the only system that is used. Nepali migrants especially from India send their money back home mainly through informal channels.

Apart from remittance inflows through formal banking channels, substantial portions of remittance are found to be coming through informal channels. There are two types of leakages: one due to erroneous, imprecise accounting, and the other due to the choice of informal, unsupervised channel for remittances.

According to a study, there are four mechanisms of remitting money to Nepal, depending largely on the destination country. Around 80 per cent of the money is

remitted through the hundi system (an informal arrangement for sending money through business persons) in which the recipient gets more than the market rate of exchange. This is the preferred route for migrants from Hong Kong, Japan, United Kingdom and other European countries. The second method is money transfer through banks, which accounts for only a fraction of remittances. The reason is that banks have not reached the workers living in foreign countries, and it is difficult and time consuming to send money through them. Sometimes people also carry their savings in cash when they return home. This system is not preferred as there are various legal problems in carrying cash across national borders. Finally, there are a few licensed private organizations, called money transfer agencies, which help to transfer the money without the necessity of a bank account. These are given legal status by Nepal Rastra Bank, the central bank of the country, to transfer money. A migrant labour deposits money in the branch of the agency for transfer to a certain person in Nepal. The branch in Nepal contacts the individual and delivers the money.

The process of money transfer to Nepal from abroad has not just become efficient but it is now possible to accurately measure how much money Nepalis abroad repatriate to their home country every year. Even so, only 40 percent of Nepali workers overseas use remittance companies. The rest still rely on the hundi system, which takes up to two weeks, is unreliable and the operator takes a big cut.

2.1.9 Governing Bodies Regulations

A list of policy measures are summarized below:

- Loan facilities up to Rs. 100,000 provided by the banks for the purpose foreign employment has been recognized as deprived sector credit.
- Money transfer companies are allowed to work as an agent of the host country's money transfer companies or can open representative office or the liaison office as per the host country's legal framework.
- "Ka" graded license of Nepalese financial institutions can operate the remittance function themselves without prior approval of NRB. However, "Kha", "Ga" and "Gha" graded financial institutions are also allowed to operate such function by taking permission from NRB.

- Nepalese remittance companies /firms etc if they wish to operate their own representative office/license office abroad should produce bank guarantee of Rs 5 million for single country and Rs 10 million for multiple countries. Such companies do not need extra bank guarantee if they wish to operate as an agent of foreign remittance companies.
- If Nepalese money transfer companies want to serve only as an agent of foreign remittance companies, they should provide guarantee as following:
 1. Rs. 600,000 for 1 Remittance Company
 2. Rs.1 million for 2 remittance companies
 3. Rs 15 million for 3 remittance companies
 4. Rs. 20 million for more than 3 remittance companies.
- License holder remittance companies are allowed to open and operate bank account in convertible foreign currency; however, any deposited amount in the form of remittances is allowed to be held for a maximum period of 7 days only.
- Nepalese remittance companies working as agent or representative of foreign remittance companies can issue bank guarantee up to 2 million US Dollar from the commercial banks (without approval of NRB) to the principal companies for the purpose of receiving advance payment.

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 traveling abroad via air (except India) can purchase US Dollar 2,000 against their valid passport and confirmed air tickets.
- Nepalese citizens traveling 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 traveling 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.

The mentioned points 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 ceiling is laid down for individual transaction by NRB. Though, it has set in place a rule of KYC (Know Your Customer) wherein banks and Financial Institutions are instructed to ensure the proper record of its customers.

2.2 Conceptual framework

As the topic of remittances has become a popular one in the international financial community in recent years as both the rate and volume of remittances have increased exponentially, various researchers are interested on internationally analyzing the issue of remittance and its effect on the economy. But surprisingly, in Nepalese context there is still no official acknowledgement of the substantial role of remittance and not much study are conducted concerning remittance and its effect. Only in recent years has the Nepali government and different researcher has been

taking note of the importance of foreign employment and remittance for the Nepali economy. Despite of those lacking, this study tries to identify the meaning and mechanism, international regulation related to remittance on one hand whereas on the other hand it tries to explore the impact that the inward remittance sent by these labours have on the overall economy of the country.

With the increase in the number of workers, the inflow of remittances has also taken an upswing. Moreover, because of the policy steps taken for enhancing the inflow of remittances to the country through the official mechanism the share of remittances coming through the official channel has gone up. The mounting remittances have led to a surplus in the current account, thereby strengthening the overall balance of payments position. Despite of such a large volume of inward remittances soaring inside the country as a result of booming international labour migration from Nepal, there still remains some questions unanswered. On the basis of the above mentioned review of literature this study hence identifies the following questions which need to be answered so as to be clearer on the impact of inward remittances for the overall economic development of the country.

- ⊕ What are the prevailing situations of Migration and foreign employment in Nepal?
- ⊕ What are the prevailing practices and provision of Nepal regarding Remittance?
- ⊕ What is the impact of inward remittances on the economy of developing country like Nepal, what is their impact on different economic factors – foreign assets, foreign direct investments, etc.?
- ⊕ What is the micro and macro level impact of inward remittance business in Nepal and its contribution to the Gross Domestic Product (GDP)?
- ⊕ What can be done to bring the money transfers into the official fold?

On the basis of different study conducted, the dissertation tries to explore the above mentioned issues.

2.3 Review of Previous Thesis, Research Works, Articles

Very rare thesis works has been conducted to identify the impact of the remittance on the economy of country. However until recently many researchers have shown

interest in the field of analyzing effect of remittance on the economy and related area of remittance. They have carried out different study to illuminate the total vision or 3D view on the remittance. Their findings and suggestion are reviewed here.

2.3.1 Review of Research works, Articles

The article 'Lahureys' prop Nepal's economy, Nepal now has a remittance economy, money sent home by workers abroad equals the annual budget', (2000) (<http://www.nepalitimes.com/issue/8/Nation/10937#>) by Mr. R. Dahal deals with the fact that how the remittance provided by the migrants has been propping up the Nepal's economy. The writer has explained the history of migration in Nepal and after the name of Sikh King's Capital Lahore (now in Pakistan) the Nepali migrant was named as Lahurey.

According to his study he found that remittances from Nepalese abroad today contribute more than tourism, foreign aid and exports put together. Nepal's economy today is a remittance economy. Oversubscription of shares and burgeoning savings deposits on remote districts' Banks show there are so much cash in the informal economy.

Different economic surveys are showing increase on Nepal's Per Capita Income, Balance of Payment, Foreign Currency Reserves; these are due to the remittances that are inflowing every year. Government officials say the main reason the Nepali financial market is witnessing the present excess liquidity is the huge amount of remittances entering the country.

From the study, the author came to finding that till as late as 1971, the earning of British Gurkhas the highest source of foreign currency for Nepal. Tourism and exports, took over the top spot later. Accurate data in remittance is found only of British and Indian former soldiers. Besides these other data used are found different in different study conducted.

Study also concluded that most preferred mode of money transfer in Nepal in countries other than India is Hundi. The foreign earned wealth then comes into the country in kind, the bulk as gold. The study found that the money used on purchase of gold is purchased using Hundi Money. Since, none of the Nepali Bank has provided foreign currency to import gold. But Presently most of the remittances are coming

into Nepal through regular Banking channels because the difference between bank and hundi rates have fallen to 3-4% from the earlier 12-14%.

Though, the remittance is propping economy, there is still no official acknowledgement of the substantial role that this money from outside plays in keeping the country's economy afloat. At the end, the writer ended the article concluding that only in recent years has the Nepali government been taking note of the importance of foreign employment for the Nepali economy. Even then, it views it more as a safety valve to relieve the pressure of unemployment rather than as a source of income. Neither has there been any attempt by the state to facilitate entry of cash into the country. Overseas remittances sustain the Nepali economy. It is this country's economic lifeline.

The article 'Foreign Remittance: A Panacea for Nepalese Economy' published on 'Nepal Rastra Bank' 51st Annual Publication, (2006), Mr. S.R. Shrestha, Chief Manager of Nepal Rastra Bank has focused on the Remittance, its network and impact on economy. He further described about the effective management of Remittance and the role of different governing parties for well management of remittance.

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

Most Nepalese preferred destination is gulf countries. Amongst out migrant approximately 40% migrant send remittance and according to his study very few percent of migrant send remittance through formal channel. Though, he does not deny that remittance providing greater cushion against a potential economic crisis. Remittance generates positive multiplier effects in output if they are consumed and contribute to economic growth if they are invested productively.

Because the remittance is one of important pillar of Nepalese economy, the author has focused his latter part of article on its importance and defined the practiced way

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

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

Ms. Sofia Biller, on her *UICIFD Briefing No. 3 Remittances*, published on The University of Iowa Centre for International Finance and Development, (2007) (<http://www.uiowa.edu/ifdebook/briefings/docs/remittance.shtml>), explained what a remittance transfer is and which players are involved. It also has assessed the

positive and negative impacts that remittances may have on development and developing economies.

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

The author in her brief stated that remitters are motivated by both obligatory and voluntary purposes. Although some remittances arise from familial obligations, as with a short-term loan or prearranged repayment for educational expenses, reports indicate that many remitters transfer money for altruistic reasons. The studies show that the majority are spent on household expenses.

On her findings, the remittances are spent on household on basic needs and extra are spent on education and health care. It is also estimated that for every one-percent increase in remittances as a fraction of a receiving country's GDP, the population living in poverty is reduced by approximately four-tenths of a percent. It is also stable form of external finance. The author has also enlighten about negative impact of it and possible remedial. Its main negative impact is; community becomes dependent on remittance. And it may also result wider difference between haves and have-nots. On the other hand, she pointed out key concern about remittance as lack of transparency on remittance transfer. Beside this, weaknesses in the payment system infrastructure, Unpredictable, unconscionable, and discriminatory regulatory and legal frameworks, Lack of competitive market conditions, Lack of appropriate governance and risk management practices are also problem, facing by international remittance and remedial of these areas are important.

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

Mr. Enrique Carrasco & Jane Ro in their *e-book- Remittances and Development of the University of Iowa Centre for International Finance and Development*, (2007) (<http://www.uiowa.edu/ifdebook/ebook2/contents/part4-II.shtml>) focused on remittance and its effect. In this article, the authors analyzed about the remittance, its importance, problem related to it, and its mechanism and their cost. The article main objective is to get answer of the questions; ① How do funds get to the receiver in other countries? ② How does this external source of finance to developing nations affect their economic growth? ③ What are the short term and long term effects of remittances on emerging markets?

In the writing, the authors has indicated that the international finance communities are realizing the importance of the remittance as it has become as both the rate and volume of remittances have increased exponentially. Still good portion of the transfer is made on an informal basis and due to various reasons; it's problematic to gather accurate data. But through the analysis of available data analysts concluded that the growth of remittances has exceeded private capital flows and official development assistance to developing countries. Moreover, remittances are a reliable source of foreign capital; in the 1990s they were the least volatile source of foreign exchange. Remittances have developed into an important source of income for many developing countries and, thus, have significant effects on their economic stability and growth. To illustrate on a global scale, remittances now account for almost a third of global external finance. For many of the developing nations they flow into, remittances can increase the national gross domestic product (GDP) by a significant percentage.

The authors came with the finding that reducing remittance costs and improving the infrastructure would be beneficial in several ways. By reducing costs, remitters will

have more disposable income, which may translate into increased remittances. Reduced costs will also increase remittance flows through formal channels, such as banks. And improved infrastructure will promote better financial access among the poor in developing countries.

Some analysts and scholars argue that remittance benefits are only felt at the individual receiver's level, but some case studies suggest that the benefits of remittances to individuals have spill-over effects that can translate into a positive impact on the local economy. And some study concluded that income from remittances allows receiving families to decrease their own work and productivity, which then translates into a reduction in the labor supply for the developing country.

The author concluded the article with the view that the most scholars and analysts seem to agree on is that the remittance phenomenon will continue to have a real and growing impact on the economies of both developed and developing countries, and, therefore, warrant further study.

2.3.2 Review of Thesis works

In the dissertation 'A Study of Remittance of Nepal' (2008) presented by Mr. R. Dawadi for the partial fulfillment of Master Degree on Business Studies of Tribhuvan University, the researcher has stipulated the main objective of study as to define properly the contribution of remittance and the role of remittance income for economic development of the country. Furthermore, the study analyzed the socio-economic implications of remittance, compared the relationship of remittance with different economic factor viz., foreign direct investment, GDP, grants and pension in Nepal. This study helps others to know the advantages and importance of flow of remittance through formal channels for the country.

It is well known that the development of the country largely related to the level of economic development and on the growth of the different sectors like financial institutions, industry etc. And as, today's greatest phenomenon among youth of the country is to get abroad in any way as student or migrant and earn money to support their families back home, Financial institutions are highly focusing on entering the foreign currency in Nepal through the venture of remittance. So, currently remittance is making impression in whole economy.

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

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

Furthermore, the researcher has suggested that Governing bodies should help in remittance business by providing tax holidays or reducing tax so that banks and financial institutions can reduce commissions in the remittance and make the method so easy and understandable to any kind of the person literate and illiterate as well. Additionally, government should focus on the remittance sectors where it can increase its remittance inflow from the different parts of the world. The researcher at the end concluded the study by focusing on providing education among general

public about the formal channel and encourage to send money through the formal channel as Remittance being a vital part of the economy of the developing countries, all the people should be aware of the importance of this to the country.

In the thesis 'A study on Foreign Employment and Workers' Remittances in Nepal' (2008) presented by Ms. S. Dhital presented to the Central Department of Economics, T.U. the main objectives are to ascertain the historical track records of migrants and workers' remittances in Nepal, evaluate the existing government policies about foreign employment and role of government to harness maximum benefit from remittance, and to analyze the issues pertaining to Nepali women migrant workers.

Major Findings drawn by the study are Significance of Remittance in Nepalese Context, Conflict and Labour Migration, Trends of Foreign Employment and Worker's Remittances in National Perspective, Documented Nepali Labour Migrants and their Concentration, Inflow of Workers' Remittances in Nepal, Participation of Women in Foreign Employment and their share in Total Remittance Earnings, Government's Effort to Channelize the Worker's Earnings, The Impact of Remittances on National Economy, Poverty Impact of Remittances, Use of Remittances in Nepal, Weak Implementing Aspect of National Act.

At last, the researcher concluded that foreign employment and remittances is one important component of national economy. It has opened a new area of research to the economists and politicians. She also alerted because of the lot of traditional or emerging new reasons, the remittance sector also would go in jeopardy if timely and proper policy measures and strategic actions are not adopted. Remittance cannot serve the long-term objectives of a country. For this, all the responsible bodies' initiations and drives need to be directed to a safe, reliable, diversified and sustainable remittance system. And recommended that the Government should pay special consideration about developing proper practice and policy about it and the entered remittance should be utilized on productive sector.

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

confirmed that remittance income is playing very vital role in reducing the poverty level of the study area.

The study 'Role of Remittance in Rural Poverty Reduction; A case study of Khilung Deurali VDC, Syangja' (2007) done by Mr. K. Regmi and submitted to The Central Department of Economics, TU for Partial fulfillment of MBS has taken a particular study area i.e., Khilung Deurali VDC. The main objective of the study was to analyze the role of remittance in rural poverty reduction of the study area. And the specific objectives of this study are to examine general poverty scenario of the study area, to analyze the nature and extent of remittance income in the study area and gauge the impact of emigration on poverty reduction of the study area.

Major Finding by survey in the study area was; main destinations of Nepalese workers are Gulf countries and Malaysia. Major reasons to seek foreign employment include unemployment, family debt burden, conflict problems and to earn more money than which they are earning in their own country. Most of the respondents went through manpower agencies and very less through unregistered agents or personal initiative. Majority of the foreign job seekers didn't have skills and took unskilled labor jobs in industries. And most of them went for foreign employment by taking loan. More than 50% respondents used formal channels. Among the remittance amount, large portion is used for household expenses and very less for investment and social spending. It has indirectly help in improve social living standard; education, health condition, housing condition, etc. Lastly, he has suggested promoting transferring money through formal channel, utilizing the remittance in productive sector, and training the migrant so they get good payment as skilled labor.

In the study 'Economic Implication of Foreign employment and inward Remittance Business in Nepal' (2006) conducted by Mr. V. K. Niraula has focused his study on analyzing more specifically the pros and cons of the foreign employment and inward remittances and its economic implications. On the thesis, the researcher has explored main objectives as ▶current state of foreign employment, ▶nature, mode and volume of inward remittance generated from the foreign employment, ▶nature and possibilities of investment opportunities for families receiving the remittance and difficulties faced in obtaining these figures and also micro and macro economic

implications of the inward remittance and its contribution in our Gross Domestic Products.

On the basis of various analyses, the researcher comes out with the following findings and conclusions; foreign employment and remittances are two interlinked variables. Higher volume of inward remittance coming inside the country as depicted in the report of the Central Bank is a clear indication of the equally higher outflow of Nepalese worker leaving the country every year. It was hence felt that these two variables be studied co-relating on with the other. Because of failure to transform our economy for subsistence agriculture sector to industry, service, tourism, trade, etc, Nepal facing the slow growth of employment opportunities. Both developed as well as developing economies have much to gain from an increased flow of workers. And, unexpectedly the foreign labour migration has developed in such a way which has shifted the agricultural based economy towards remittance based economy. Sending remittances from abroad to the remitter's country of origin is not as easier as it may sound. It consist different procedure and process and different problems as well. Because of political instability and security problem, most part of country have been deprived of basic banking facilities. Unless addressing the problems from the policy level, solution is far behind. Thus, NRB gave approval to the private sector to facilitate in the business of inward remittances. Sending and receiving money have become easier in comparison to what it used to be earlier. Still dominated by the informal channels of sending money in the remittance business, NRB's step has to a larger extent contributed in diverting the inward remittance from the informal channels to formal channel. With over 200 sub agents appointed to various parts of country by private money transfer companies, it has become greater options in selecting nearest location from the remittance could be collected.

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

He concluded his study stating that the country needs to capitalize on the huge reservoir of labour through a consistent policy, especially foreign employment policy. Earning from foreign employment could change the development status of the country by substantially contributing to poverty alleviation, which is the cynosure of the tenth plan. Furthermore, recommended regarding inward remittances that NRB in co-operation with the government and non-governmental institutions should come up with some concrete measures; formalizing the inflow of remittances, explore possibilities to lower the transfer costs, productive use of remittances money for the betterment of the people and economy, announcement of general principles by the Nepal government and the regulating authorities as the public policy guidelines for achieving safe and efficient foreign remittance services.

Research Methodology

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 problem and analyzing amount of risk in decision making etc. The knowledge of research method helps the researcher to find out the exact problem and suggest possible solution before the situation gets out of control. Basically, there are four methods of research-Policy Research, Action Research, Evaluation Research, and Managerial Research. This study deals with the evaluation of impact of remittance on economy of country. Thus, this study has used the evaluation research method which includes research design, population and sample, nature and sources of data, data collection etc. which will be further dealt in detail. The study has followed systematic Secondary Information Collection and analysis approach (SSICA). List of information and studies done in the past are prepared and analyzed the information contained in a systematic and scientific manner. Available secondary information, policy

documents, articles, studies and efforts in past related to foreign employment and remittance was reviewed whereas information is obtained through stakeholder's consultation and studies as well.

3.2 Research Design

It is a purposeful scheme action proposed to be carried out in a sequence during the process of research focusing on the management problem to be tackled. It must be a scheme of problem solving through proper analysis, for which systematic arrangement of managerial efforts to investigate the problem is necessary. It defines the task of a research from identifying a managerial problem and problem area to report writing with help of collection, tabulation, analysis and interpretation of data. A basic aspect of research design, therefore, is setting up the research so as to allow logical conclusion to be drawn. (Goode & Hatt, 1952: 74) According to Kerlinger, "A research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance." The research design is thus an integrated frame that guides the researcher in planning and executing the research works and to provide a maximum amount of information relevant to the problem under investigation at a minimum cost.

Research design may include different forms such as historical research, descriptive research, development research, correlation research, case study research, casual comparative research, true experimental research, quasi experimental research, action research and explorative research. In this paper, descriptive and explorative designs have been used. This study has been made in a historical and descriptive manner. Many past data are used to identify the trends of remittance in the past years. Many search and investigation has been done focusing on the present scenario in the remittance field. For this study, data from Central Bank, some books of remittance and different journals and articles with arguments for and against remittance are analyzed. Therefore, use of past and present data of remittance has helped to study the remittance in Nepal.

3.3 Population and Sampling

Population or universe refers to the entire group of people, events, or things of interest that the wishes to investigate. Since the remittance covers board areas of economy – foreign employments, financial intermediaries like banks, financial institutions, money transfers institutions, etc and all the Nepalese going abroad and sending money and international market, etc. The numbers of people leaving the country for foreign employment is in an increasing trend. Inward remittances entering inside the country of origin are the result of the efforts made by such people opting to go abroad for foreign employment. They send their hard earned money to their belongings here in their country of origin either through the banking channels or by some other informal channels. These amounts are affecting the economy in many ways. These areas play the population for the study.

As a Cluster sampling is widely used in conducting opinion survey, Central Bank as Bank of all financial intermediaries, Labour organization, NIDC and governing bodies were selected as sample for this study. Cluster comprised of the bodies that are in position for policy making, analyzing the effect of remittance in the economy and amongst such clusters few bodies were randomly selected and studied.

3.4 Data Collection Procedures

Data are raw, facts or unanalyzed number which provides some important information after they are processed. Data are gathered for making correct and important decision concerning the field of enquiry. However, depending upon the nature of data, they are classifies as primary data and secondary data. Data collected originally by the researcher for the first time for the purpose of enquiry through survey, observation, enquiries are primary data whereas the data collected by others and obtained from some published or unpublished source are secondary data. This study is mostly based on secondary data. Primary data has also taken to some extent.

So, qualitative and quantitative data are taken for study. They are as follows:

a) Primary Source

Primary sources include survey, personal interviews with managers of Central Bank, stakeholders and resourceful persons in the regulatory offices.

b) Secondary Source

Secondary sources of data include Nepal Living Standard Survey, Statistical year book of Nepal, Various publications of Central Bank, Dissertation, Previous Studies, Articles and Daily Newspapers. Some other important information has been collected from Internet of the related website.

This study is mainly focused on and used the secondary data collected from Statistical publication from different governing bodies, the books, website, internet and the articles of magazines whereas in some cases primary data are also used.

3.5 Data Presentation and tools used for Analysis

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. 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. After the collection of data and presentation, another important step is to analyze it.

As this study is based on theoretical concept not figurative data simple mathematic tools for analyzing percentage change and correlation are used. In this study, both the primary data and the secondary data gathered from various sources were categorized, tabulated, processed and analyzed using different methods.

3.6 Instruments Used for Analysis

Since the study is based on theoretical concept and not much complicated calculation are needed so 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.

Presentation and Analysis of Data

Subject matter and objectives of this study have been introduced in the first unit. In order to achieve those objectives necessary analytical tools and techniques have been discussed under unit "Research Methodology". In this unit relevant data have been presented and analyzed with reference to impact of remittance in the economy. The collected data through primary and secondary sources, in order to fulfill the objective of the study are presented and analyzed under this chapter as discussed on the Research Methodology chapter. As already mentioned, this study is heavily based on secondary data.

4.1 Distribution of migrant population and major Outbound Destination

Movement of people of other countries in search of employment is by no means a new phenomenon because labour mobility has been an important and essential feature of the economic and social development of societies throughout human history. Labour migration for overseas employment has been a topic of popular attention by various labour surplus countries in recent years especially after the speedy globalization. According to NLSS II, about 37% of the enumerated population aged 5 years and above are found to have been migrated from another VDC or municipality or from outside the country. **Table No. 2** and **3** shows the percentage of migrant population and distribution of migrant population by reason of migration.

Table No. 2: Summary statistics

<i>Description</i>	<i>(Percent)</i>
	<i>NLSS 2003/04</i>
<i>Percent of migrant Population</i>	36.6
<i>Female</i>	50.1
<i>Male</i>	21.6
<i>Percent of migrants from rural areas (VDC)</i>	81.5
<i>Percent of migrants from urban areas (municipality)</i>	5.8
<i>Percent of migrants from other countries</i>	12.7
<i>Reason of migration:</i>	
<i>Family reason</i>	75.2
<i>Easier life style</i>	11.6
<i>Looking for job</i>	6.8
<i>Percent of children away from home</i>	4.8
<i>Reason for being away from home:</i>	
<i>For study</i>	36.3
<i>For work</i>	18.7

(Source: NLSS 2003/04, Statistical Report-Volume One, CBS, December 2004)

Table No. 3: Distribution of migrant population by reason of migration

<i>Description</i>	<i>Percent</i>
<i>Family Reason</i>	75.2
<i>Education/ Training</i>	2.6
<i>Political Reason</i>	0.1
<i>Natural Disaster</i>	0.7
<i>Looking for Job</i>	6.8
<i>Easier Lifestyle</i>	11.6
<i>Other</i>	3.0
<i>Total</i>	<i>100.0</i>

(Source: NLSS 2003/04, Statistical Report-Volume One, CBS, December 2004)

Since the beginning of 19th Century it has been seen the Nepalese labours prefer India as a major destination for work. This may have been due to the open border in the two countries. Foreign employment now is completely different from what it was years ago. Government of Nepal has formally opened the following 107 countries on institutional basis for sending laborers in foreign employment. But now-a days, the government has also restricted to go Nepali workers in some foreign countries including Iraq* due to massacre of 12 Nepali laborers in Iraq. This has opened great opportunities to the people wanting to go abroad for employment and manpower agencies as well. There are more than 560 manpower agencies involved in recruiting the Nepalese for different purpose on behalf of the companies from abroad out of which only 475 agencies are operating as per the record of Department of Labour. According to the data provided by the labour Department, 284 Nepalese go to the Gulf Countries and Malaysia daily with the permission from the labour department. Either unskilled or semi-skilled, they prefer those countries where they can adjust with their qualification. The countries which have maximum number of Nepalese workers in different fiscal years is given in the following table:

Table No. 4: *Number of Nepalese Migrant Workers in Different Countries*

<i>FY</i>	<i>S Arabia</i>	<i>Qatar</i>	<i>UAE</i>	<i>Malaysia</i>	<i>Total</i>
<i>1999/00</i>	<i>17867</i>	<i>8791</i>	<i>6360</i>	<i>171</i>	<i>33184</i>
<i>2000/01</i>	<i>17966</i>	<i>14086</i>	<i>8950</i>	<i>11306</i>	<i>52308</i>
<i>2001/02</i>	<i>21094</i>	<i>19895</i>	<i>8411</i>	<i>52926</i>	<i>102526</i>
<i>2002/03</i>	<i>17990</i>	<i>26850</i>	<i>12650</i>	<i>43812</i>	<i>101302</i>
<i>2003/04</i>	<i>16875</i>	<i>24128</i>	<i>12760</i>	<i>45760</i>	<i>99523</i>
<i>2004/05</i>	<i>13366</i>	<i>42394</i>	<i>12626</i>	<i>66291</i>	<i>134677</i>

(Source: Labor and Employment Promotion Department, 2006)

The above table indicates that Saudi Arabia received the maximum number of Nepalese of workers in one country and Qatar followed by Saudi Arabia. But later years Malaysia and Qatar became more favored destination than Saudi Arabia

because of inequality in the salary for the Nepalese workers. The importance of Saudi Arabia has somewhat diminished in those years as a principle employing country for Nepalese foreign employment seekers.

4.2 Inward and Outward Remittance

Remittance is the transfer of Money from person who has emigrated from a country to another person usually a relative who remains at home. Remittance can be both inward and outward as other nation worker are as well working or immigrated to the country. Nepal economy is inward remittance based economy, as per the report submitted by Development Prospects Group in 2006, the ratio increment in the inward remittance is much higher than the ratio of increment in the outward remittance from the year 2002 to 2006

Remittance is the transfer of money from person who has emigrated from a country to another person usually a relative who remains at home. Remittance can be both inward and outward as other nation workers are as well working or migrated to the country. Nepal economy is inward remittance based economy, as per the data collected from the different sources and Nepal Rastra Bank, the ratio increment in the inward remittance is much higher than the ratio of increment of the outward remittance form the Year 2002 to 2006.

Table No. 5: *Inward and Outward Remittance*

In US\$ million

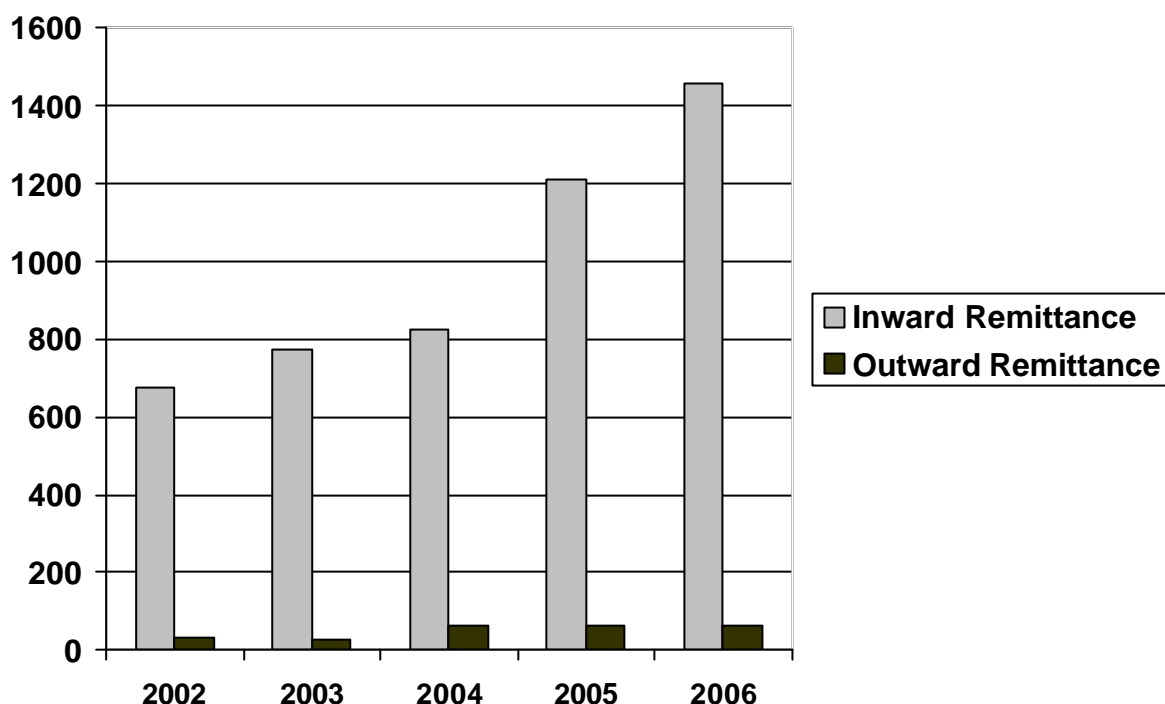
<i>Year</i>	<i>Inward Remittance</i>	<i>Outward Remittance</i>
2002	678	34
2003	771	26
2004	823	64
2005	1211	65
2006	1456	65

(Source: Nepal Rastra Bank)

In the In year 2002, the inward remittance was only USD 678 Million. However, in year 2006, it has been increased to USD 1,456 Million. Looking to Outward

Remittance, in 2002, it was USD 34 Million which has been increased to USD 65 Mio in year 2006.

Figure No. 1: *Inward Remittance and Outward Remittance*



Above graph shows that the level of inward remittance has been increased in a huge proportion than the outward remittance from the year 2002 to year 2006. In year 2006, the inward remittance has move to USD 1,456 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.

4.3 Remittance received from India and other Countries

Eastern and western development regions have had opportunities for foreign employment other than India because of the history of British Gorkha whereas mid-western and far western region are more attracted to the neighboring country, India for foreign employment. There are estimated 6-10 lakhs of Nepalese are working as a Temporary worker in India (NIDS, 2000). According to 'Study Report on Remittance from India' published by NRB, the migrant workers remittances alone contribute to 16.7% to the country's GDP in 2005/06 while the contribution of

remittance from India stood at 2.1% majority of remittance from India are through Informal Channel. Therefore, among those developing and transition economies where labour market slack is a chronic problem, exporting labour in return for remittance poses an attractive component of a development strategy.

Table No. 6: Summary Statistic

<i>Description</i>	<i>Nepal Living Standard Survey</i>	
	<i>1995/96</i>	<i>2003/04</i>
<i>Percent of all households receiving remittances</i>	23.4	31.9
<i>Average amount of remittance per recipient household (nominal NRs.)</i>	15,160	34,698
<i>Share of remittances received by household from within Nepal</i>	44.7	23.5
<i>From India</i>	32.9	23.2
<i>From other countries</i>	22.4	53.3
<i>Share of remittances in total household income among recipients</i>	26.6	35.4
<i>Per capita remittance amount for all Nepal (nominal NRs.)</i>	625	2,100
<i>Total amount of remittance received (nominal NRs.)</i>	12,957,840,907	46,365,466,726

(Source: NLSS 2003/04, Statistical Report-Volume II, CBS, December 2004)

The above table shows the share of remittance received by households. The proportion of households receiving remittances has increased from 23 percent in 1995/96 to 32 percent in 2003/04. Average amount of transfer earnings per recipient household has more than doubled in nominal terms in the same period. Other significant change is in the share of these remittances by source: within Nepal and from India accounted for more than 75 percent of these eight years ago. Now, those from other countries including the Gulf account for more than half of the share. For those households with positive remittance earnings, their share in total income has increased from 27 to 35 percent. Overall, total amount of remittance received has increased from about 13 billion NRs. to more than 46 billion NRs. in nominal terms, while per capita remittance for the entire country has more than tripled in nominal terms.

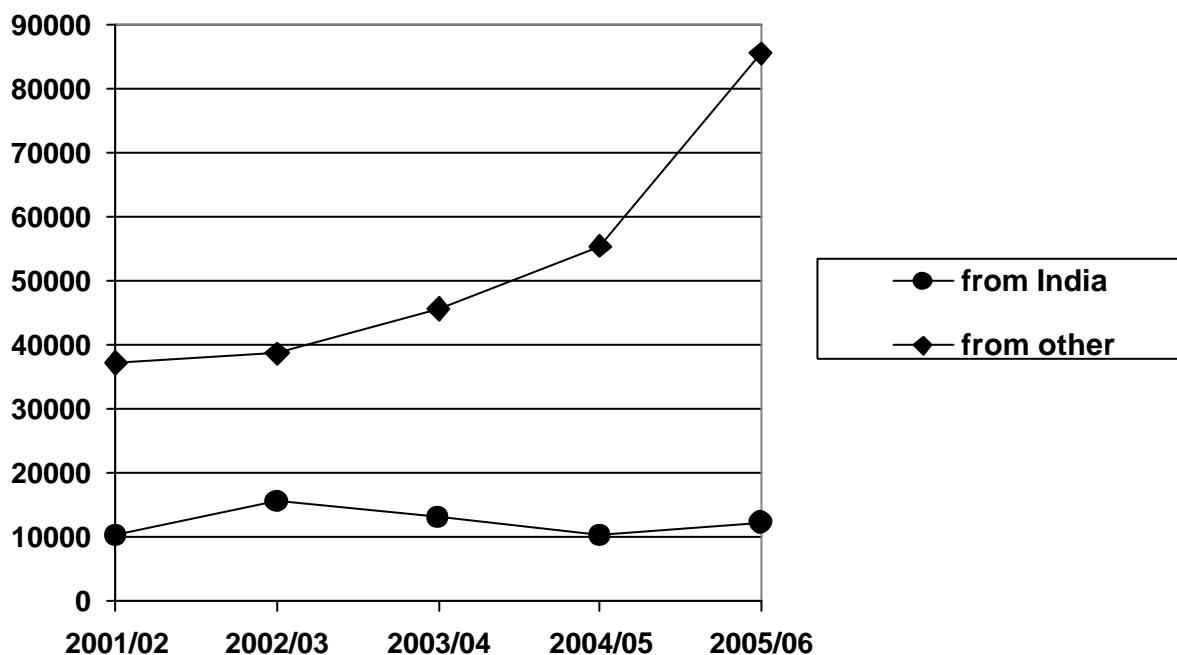
The below mentioned table shows the date of remittances received from India and other Countries from fiscal year 2001/02 to 2005/06

Table No. 7: Remittance from India and other Countries

Year	Remittance		Total Remittance
	from India	from other Countries	
2001/02	10326.2	37210.1	47536.2
2002/03	15458.0	38745.3	54203.3
2003/04	12964.1	45623.5	58587.6
2004/05	10181.3	55359.9	65541.2
2005/06	12099.9	85436.3	97536.2

(Source: Nepal Rastra Bank)

Figure No. 2: Remittance from India and other Countries



The above illustrated table and figure show the increasing trend of total inward Remittances in Nepal where as the inward Remittance from India has fluctuating

nature and from other countries it's in increasing trend. This is because the most of remittance from India is transferred through informal channel. A field survey conducted in New Delhi has estimated that a Nepali worker can remit average INRs. 25,016 a year which is more than double of what previous estimation of Nepal Living standard Survey 2004.

4.4 Percentage Increase in Remittance and Trend Analysis

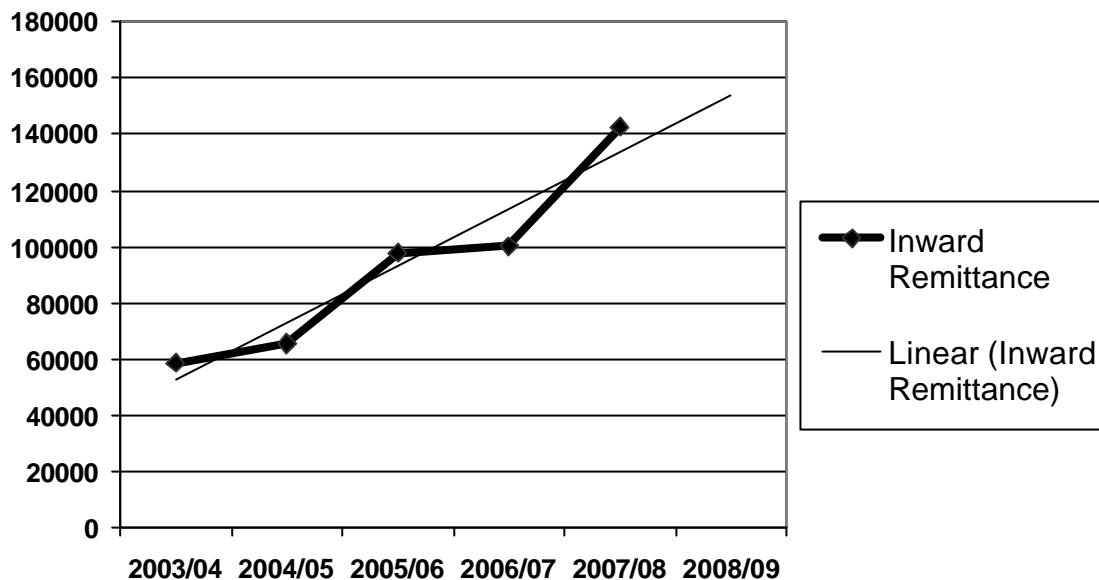
From economic perspective, remittance is found to have different effects at various levels. From the micro level i.e. household level, it helps increase income and consumption smoothing and shows increased saving leading to higher living standard of dependents. At macro level, remittance inflow has multiple effects. It helps increase foreign exchange reserve of the country and at the same time becomes instrumental in developing local commodity markets and local employment opportunity ultimately resulting in economic prosperity of the entire country. So, it's playing big role in developing countries by helping in increasing the GNP. Nowadays, many youth are migrating from Nepal by different reason to abroad. Because of increasing number of migration, the remittance entering is increasing year by year.

Table No. 8: *Percentage change in Remittance*

<i>Year</i>	<i>Inward Remittance</i>	<i>Change in remittance</i>	<i>Percentage change</i>
2003/04	58587.6	-	-
2004/05	65541.2	6953.6	10.61
2005/06	97688.5	32147.3	32.91
2006/07	100144.8	2456.3	2.45
2007/08	142682.7	42537.9	29.81

(Source : Nepal Rastra Bank)

Figure No. 3: Trend of Remittance



The above table and graph has shown that the remittance has been increasing year by year, whereas the change in remittance or rate of increment is fluctuating. From the Year 2003/04 to 2005/06 it increased on increasing rate but on 2006/07 it slightly increased i.e. only by 2.45% comparing to previous year. The report an economic situation of Fiscal Year 2006/07 published by the NRB has stated that during the period, Total Forex reserve declined by 16% because of depreciation of US Dollar which effected on remittance earning as well.

Trend Analysis

Analyzing the trend of remittance and using mathematical calculation to estimate the remittance in next two years.

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

Table No. 9 : Trend Analysis

<i>Year(X)</i>	<i>x=X-2006</i>	<i>Remittance(y)</i>	<i>xy</i>	<i>x²</i>
2004	-2	58587.6	-117175.2	4
2005	-1	65541.2	-65541.2	1
2006	0	97688.5	0	0
2007	1	100144.8	100144.8	1
2008	2	142682.7	285365.4	4
Total(?)	0	464644.8	202793.8	10

$$y = a + bx$$

$$\sum y = an + b\sum x$$

$$a = \frac{\sum y}{n}$$

$$\text{Since, } \sum x = 0$$

$$= \frac{464644.8}{5}$$

$$= 92928.96$$

$$\text{Again, } \sum xy = a\sum x + b\sum x^2 \quad (\text{Multiplying both side by } x)$$

$$\sum xy = a\sum x + b\sum x^2$$

$$\text{Since, } \sum x = 0$$

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

$$= \frac{202793.8}{10}$$

$$= 20279.38$$

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

$$y = a + bx$$

$$y = 92928.96 + 20279.38x$$

Hence, the remittance amount for the Year 2009 is

$$= 92928.96 + 20279.38 \times 3$$

$$= 153767.1$$

And, for the year 2010 is

$$= 92928.96 + 20279.38 \times 4$$

$$= 174046.48$$

Through the help of trend analysis the remittance amount for the year 2009 is expected to be Rs. 15,3767.1 and for the year 2010 is Rs. 174046.48

4.5 Contribution of Remittance to Total Export, Total Imports and Foreign Exchange Reserve

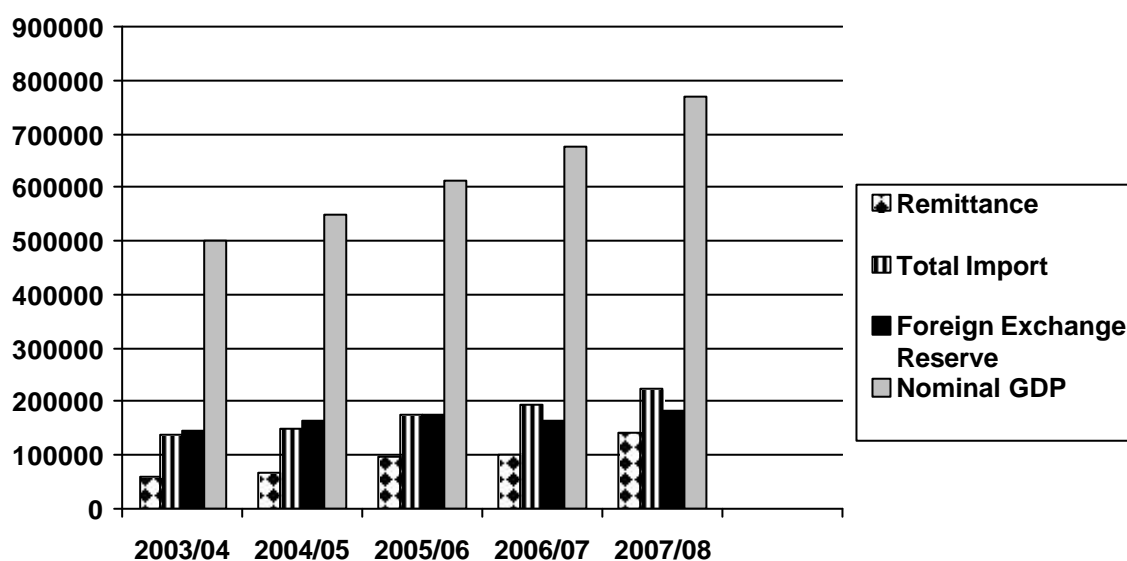
Nepal has had a high degree of dependence on foreign sources of finance in the form of development assistance and remittance. Remittance income from overseas migrant workers makes a significant contribution to income level of Nepal. It is also contributing in poverty reduction. Besides these formal announcements, studies suggest that remittance has become the highest earning sector of foreign exchange in the country's economy. From macro perspective or in other words macro economic impact of inward Remittance can be studied by studying its contribution to Total Export, Total Imports and foreign Exchange Reserve.

Table No. 10: Remittance in comparison with TI, FER and Nominal GDP

Years	Remittance	Total Import (TI)	Foreign Exchange Reserve (FER)	Nominal Gross Domestic Product (GDP)	Remittance as % of		
					TI	FER	GDP
2003/04	58587.6	136277.1	144522.0	500699.0	42.99	40.54	11.70
2004/05	65541.2	149473.6	165033.0	548485.0	43.85	39.71	11.95
2005/06	97688.5	173780.3	177078.9	611089.0	56.21	55.17	15.99
2006/07	100144.8	194694.6	165105.6	675484.0	51.44	60.65	14.83
2007/08	142682.7	221937.8	181981.9	768832.0	64.29	78.40	18.56

(Source: Various issues of NRB-Quarterly Economic Bulletin, Macro economic indicator of Nepal, Macro economic situation 2008-04 tables)

Figure No. 4: Total Import, FER, Nominal GDP and Remittances



For the purpose of the study we have only taken into consideration the figures of five year i.e. from the year 2003/04 to 2007/08. In the year 2003/04 the contribution of remittance to the total import were 42.99% which went up to 43.85% and 56.21% in the year 2004/05 and 2005/06 respectively and went down to 51.44% in the year 2006/07 and again picked the speed making up to 64.29 in the year 2007/08. However, contribution of remittance on Foreign Exchange Reserve decreased from 40.54% to 39.71% on year 2004/05 and later increased by increasing rate. And Contribution of Remittance to GDP increased from 11.70% to 11.95% and 15.99% in

the year 2003/04, 2004/05 and 2005/06 respectively and decreased slightly on year 2006/07 and again increased.

Therefore, this study has shown that remittance has a huge impact on the GDP of the country the facts and figure revealed that remittance has been life blood of Nepal's economy. Hence, what we can find from the above data is that remittance money has also become a crucial component for Nepalese economy. The GDP has also accounted remittances as one of the major sources of national income of the country. The remittances have contributed significantly to maintain Nepal's favorable Balance of Payment position.

4.6 Contribution of Remittance to Current Transfer

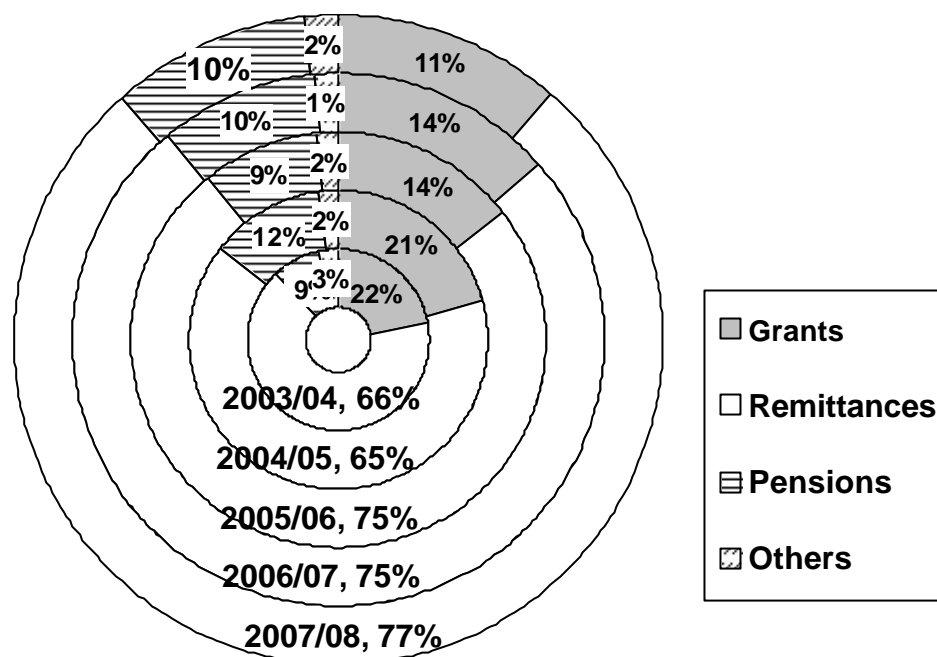
Developing Country's economies have a high degree of dependence on foreign source of finance in the form of development assistance and Remittance. Remittances play a central role in the economies of many labour sending countries including Nepal. Global remittances both formal and perhaps informal have grown rapidly in recent years and remittances have proved a stable source of finance, certainly in relation to private capital flows but also in relation to official Development Assistance. It is major component of current account and plays a vital role in increasing current transfer. Current transfers are grants, workers remittances, pensions and others including excise also.

Table No. 11: *Contribution of Remittance to Current Transfer*

<i>Year</i>	<i>Grants</i>	<i>Workers Remittances</i>	<i>Pensions</i>	<i>Others</i>
<i>2003/04</i>	<i>19557.8</i>	<i>58587.6</i>	<i>7906.2</i>	<i>3110.2</i>
<i>2004/05</i>	<i>21071.9</i>	<i>65541.2</i>	<i>12502.2</i>	<i>2194.8</i>
<i>2005/06</i>	<i>18851.1</i>	<i>97688.5</i>	<i>12007.6</i>	<i>2314.5</i>
<i>2006/07</i>	<i>18218.2</i>	<i>100144.8</i>	<i>12937.0</i>	<i>1896.8</i>
<i>2007/08</i>	<i>20993.2</i>	<i>142682.7</i>	<i>18789.9</i>	<i>2997.1</i>

(Source: Various issues of NRB-Quarterly Economic Bulletin, Macro economic indicator of Nepal, Macro economic situation 2008-04 tables)

Figure No. 5: Share of Remittance in Current Transfer



Above illustrated table shows the Current Transfer i.e., Grants, Remittance, Pension and others on amount on last five years viz. 2003/04 to 2007/08 and the pie chart shows the percentage of it on current transfer. The above pie chart clearly shows that remittance covers more than 60% of current transfer whereas grants, pension and other shares very low percentage of current transfer. In the year 2004/05 percentage share of remittance decreased from previous year but on next year (2005/06) it leaped by 10% and remained same in next year (2006/07) and slightly increased on the year 2007/08. It showed that whether it's increasing or decreasing, the share of it is very higher than others and plays vital role. Share of grants is decreasing and pensions and others share are fluctuating.

4.7 Correlation between Remittance and Net foreign Asset

Remittance as becoming major component of Balance of Payment plays a vital role in increasing Net foreign Assets in balance of payments. The basic factors of determining current transfers are grants, workers remittances, pensions and others including excise refund also.

Simple correlation measures the degree of relationship between two variables whether positive (direct) or negative (indirect or inverse). In this study Pearson's Correlation Analysis is used where 'r' refers to a measure of correlation which ranges from -1 to 0 to +1. If r is less than 0, then two variables are considered to have negatively correlated and if more than 1, positively correlated.

In this study, correlation between Remittance and Net foreign Asset is calculated

$$r = \frac{S_{xy} - \frac{(S_x)(S_y)}{n}}{\sqrt{\left(Sx^2 - \frac{(S_x)^2}{n}\right) - \left(Sy^2 - \frac{(S_y)^2}{n}\right)}}$$

where *x* denotes for Remittance and *y* for Net foreign Asset.

Table No. 12; *Correlation between Remittance and Net foreign Asset*

<i>Year</i>	<i>x</i>	<i>y</i>	<i>xy</i>	<i>x</i> ²	<i>y</i> ²
2003/04	58587.6	16005.2	937706255.5	3432506874	256166427
2004/05	65541.2	5742.1	376344124.5	4295648897	32971712.41
2005/06	97688.5	25597.8	2500610685	9543043032	655247364.8
2006/07	100144.8	5904.3	591284942.6	10028980967	34860758.49
2007/08	142682.7	29674.7	4234066318	20358352879	880587820.1
Total(?)	464644.8	82924.1	8640012326	47658532649	1859834083

We have,

$$\begin{aligned}
 r &= \frac{S_{xy} - \frac{(S_x)(S_y)}{n}}{\sqrt{\left(S_x^2 - \frac{(S_x)^2}{n}\right) - \left(S_y^2 - \frac{(S_y)^2}{n}\right)}} \\
 &= \frac{6289797414.74 - \frac{(464644.8)(82924.1)}{5}}{\sqrt{\left(47658532649 - \frac{(464644.8)^2}{5}\right) - \left(1859834083 - \frac{(82924.1)^2}{5}\right)}} \\
 &= \frac{933961954}{\sqrt{4479574616 - 484552811}} \\
 &= 0.4676
 \end{aligned}$$

Hence, we can say that the remittance and Net foreign Asset are positively correlated.

The probable error is used to measure the reliability and test of significance of correlation coefficient. It is calculated by the following formula.

$$P.E. = 0.6745 \frac{1-r^2}{\sqrt{n}}$$

where, r = the value of correlation coefficient

n = numbers of pairs of observations

if $r < P.E.$, it is insignificant, i.e. there is no evidence of correlation.

if $r > 6P.E.$, it is significant

Here,

$$\begin{aligned} P.E. &= 0.6745 \frac{1-r^2}{\sqrt{n}} \\ &= 0.6745 \frac{1-0.4676^2}{\sqrt{5}} \\ &= 0.0527 \end{aligned}$$

$$\text{And, } 6 \times P.E. = 6 \times 0.0527$$

$$= 0.3162$$

Since, $r > 6 \text{ P.E.}$, we can conclude that r is significant.

Net foreign Asset is interlinked with workers' remittances, imports, current account balance and net external borrowing. NFA is expanded due to an encouraging inflow of remittances. This is because they are positively correlated.

4.8 Comparisons of Remittances and Foreign Direct Investment

FDI is considered beneficial in view of its contribution to technological transfers, enhancement of managerial capability and new opportunities for market access. FDI, particularly in the form of equity investment, adds to the capital stock of the country and thus enables the recipient country to achieve faster economic growth through momentum in capital formation. Increases in FDI are also seen as leading to increases in exports by creating international markets through new marketing and organizational skills.

Over the past ten years, emigrant remittances have become prominent exceeding Rs.65 billion in FY. 2005. This analysis of five years (FY. 1994/95 to FY. 2004/05) has recorded that remittances are the major sources of financing compared to the foreign

direct investment. We can find out that remittance has been increasing instantly after analyzing the ten years data.

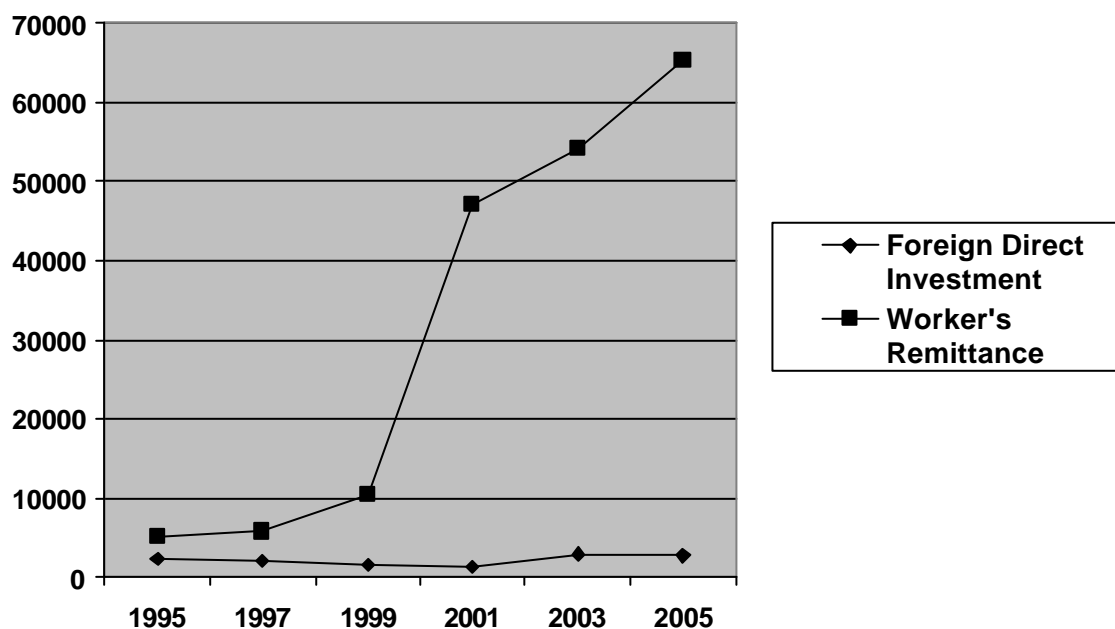
Table No. 13: Comparison of Remittance with Foreign Direct Investment

In million

<i>Fiscal Year</i>	<i>Foreign Direct Investment</i>	<i>Worker's Remittance</i>
1995	2219.86	5063.6
1997	2000.28	5595.0
1999	1417.61	10314.6
2001	1209.65	47216.1
2003	2764.80	54203.3
2005	2606.31	65416.0

(Source: Various issues of NRB-Quarterly Economic Bulletin, Macro economic indicator of Nepal, Macro economic situation 2008-04 tables)

Figure No. 6: Remittance and Foreign Direct Investment



The figure and the table have figured out the comparison of the Foreign Direct Investment and the Remittance of Nepal from fiscal year 1995/1996 to 2004/2005. In 1995/1996, the foreign direct investment was only 0.39 Billion compare to

remittance of 4.28 Billion. The analysis has showed that the foreign direct investment has gone down to 0.14 Billion in 2004/2005; however, in the same year remittance has been increased to 65.42 Billion. Thus, we can see from this analysis that Remittance has played a vital role in the economy of Nepal rather than the foreign direct investment. From this the conclusion comes that government should give priority to remittance and the migrated people to figure out them in a systematic manner. As we can see in the figure that the line of remittance is in a vertical manner however, the line of foreign direct investment is in a horizontal manner. Thus, the graph is self explanatory how the remittance has helped to the economy of the nation.

Worker Remittance income and Grants appear to be the most relevant variables to raise nominal GDP but also Pension and other items have also significant impact on increasing nominal GDP in Nepal where as Foreign investment seem to be very small comparison with others.

4.9 Medium for money transfer

Banks, paying agents, hundies, friends and money orders are the most frequently used mode of transferring funds from abroad. It's always a main concern to find the most reliable and cheapest mode of transferring their hard earned money to their family. Now a day due to the technological advancement people prefer both sending and receiving the funds through the fastest means.

Systematic data exist only on the formal flows, far less is known about the flows of remittance through informal channels. The high fees required to remit impose another form of substantial taxation upon migrants' gains. The costly transfer fees reflect in past lack of competition in the formal remitting business especially in the lower income countries where bank competition remains weak. In consequence, remitting migrants clearly prefer the cheaper, informal banking system though the future prospects for this informal sector are unclear under increasing scrutiny from international regulators.

Table No. 14; *Distribution of number of remittance by means of transfer and origin of remittance*

(Percent)

<i>Source of Remittance</i>	<i>Means of Transfer</i>				<i>Total</i>
	<i>Financial Institution</i>	<i>Hundi</i>	<i>Person</i>	<i>Other</i>	
<i>Urban Nepal</i>	0.3	0.5	74.3	24.9	100
<i>Rural Nepal</i>	1.3	0.1	80.7	17.9	100
<i>India</i>	0.8	0.0	92.0	7.3	100
<i>Malaysia</i>	54.8	13.9	31.3	0.0	100
<i>KSA Qatar UAE</i>	25.9	8.8	60.5	4.8	100
<i>Other Country</i>	29.3	13.1	49.2	8.5	100
<i>Donor Agency</i>	10.5	0.0	42.3	47.2	100
<i>Nepal</i>	65.0	1.9	78.4	13.8	100

Source: NLSS 2003/04, Statistical Report-Volume II, CBS, December 2004

Above shown table shows that only 6% of the Remittance is transferred through financial institutions whereas other remaining use informal channel to transfer their money. Large share of remittance i.e. 78.4% is transferred through person; hand carry system, migrants or their friends take funds with them when they go home to visit their family. On the other side only 1.9% through hundi and remaining 13.8% through other different means of transfer.

4.10 Findings of the study

Based up on the study of 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. The major findings drawn from the study are pointed as follows;

- o Huge numbers of people are migrating day by day in search of an opportunity. Major reason to seek foreign employment is family reasons eg. Family debt burden, easier life style, looking for jobs etc. Major destinations of Nepalese

workers are Gulf countries. Main reason behind opting to gulf countries might be the prohibitive cost, and less educated and confidence.

- Numbers of people migrating has skyrocketed now a day 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. The number of outward remittance is negligible in terms of inward remittance that received by Nepal. Among the total remittance approx 20% is contributed from India and remaining from other countries. However, this is not actual figure, the remittance from India might much larger because money from India are transferred through informal channel.
- Remittance is becoming important to the receiving countries at the micro and macro level. They increase both the income and the foreign exchange reserve of the recipient countries. The GDP has also accounted remittance as one of the major sources of nation income. It has contributed significantly to maintain favorable BOP position.
- Remittance is major component of current account and plays crucial role in increasing current transfer. Its share on current transfer is higher and plays essential role. It has proved a stable source of finance. It has positive relation with current account i.e., if remittance increases current account also increases and vice versa.
- FDI is considered very important source of finance and beneficial in view of its contribution to technological transfers and new opportunity for market access. But now remittance is supporting, Nepalese economy. It became major source of financing compared to FDI so government should give priority to remittance and migrated people to figure out them in a systematic manner.
- Most of funds are transferred through informal channel. Very Nominal percentage is transferred through formal channel because of high fees, lack of knowledge. Due to policy initiatives undertaken by the concerned authorities for enhancing the inflow of remittances through the official mechanism, the share of remittance incoming the official channel has been going up. But still governing bodies need to take a solid step to encourage transferring money through formal channel.

Summary, Conclusion and Recommendation

5.1 Summary of study

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

Remittances have been exist as an important sources of foreign exchange to generate a beneficial impact on the economy through various channels, such as saving, investment, consumption and income distribution. Moreover, remittances have relaxed the foreign exchange constraints of the country and strengthened its balance of payment position. With the aim of studying these importance and impacts of the remittance in the economy of developing countries in mind, the main objectives of this study were determined. Moreover, the study tried to identify the scenario of foreign employment in Nepal and inflow of remittances in national as well as global prospects, and then evaluated the government act and policies and role to maximize benefit from remittances. Furthermore, the study also analyzed the relationship of remittance with different economic factors. Secondary data were used to compare the composition of remittance in this study. Data are analyzed by using simple statistical tools like percentage, trend analysis, and correlation coefficient. Charts and trend line are used to present the tabulated data. The major findings from the study have been summarized below

- Major reasons to seek foreign employment include unemployment, family debt burden, conflict problems and to earn more money than which they are earning in their own country. Ongoing conflict and the loss of employment opportunity are found a major reason to the increment of international labour migration. Volume of migrant workers has been increased after the origination of armed conflict in Nepal. Because of the close relation (socio-cultural, economic, geographical, free entry and exit border etc) with India, it was common to go in search of job and work in India by the Nepalese workers from the ancient past. The Nepalese have served and continuing to serve in India and the other countries in the armed forces. Thus, the inflow of the worker's remittances is a historical phenomenon to Nepal. However, its volume was small in those days. As the developing as well a developed nations encouraged to import the labor service, especially the Gulf countries, Malaysia ,South Korea etc, the inflow of workers' remittances got a sharp rise and now it has become a major source of foreign exchange earning of the country. The choice of destination country depends on socio economic status of the person.g Major concentration of Nepali labour migrants is bound in Qatar, Saudi Arab, UAE and Malaysia. There is no significant number of labour migrants in other countries. Main reason for opting to gulf countries might be the prohibitive cost and less educated and confidence. Majority of the foreign job seekers didn't have skills and took unskilled labor jobs in industries.

- Remittances are becoming important to the receiving countries at the micro and macro level. They increase both the income of the recipient and the foreign exchange reserve of the recipients' countries. Moreover, remittances can generate positive multiplier effect in output if they are consumed and contributed to economic growth by productively manner. With the increase in the number of workers, the inflow of remittances has also taken an upswing. Moreover, due to policy initiatives undertaken by the concerned authorities for enhancing the inflow of remittances through the official mechanism, the share of remittances incoming through the official channel has been going up. But still governing bodies need to take a solid step to encourage transferring money through formal channel. With regard to the use of remittances in Nepal, different study has been conducted and these studies disclosed that the utilization of it mostly done on non productive sector. Studies showed that the remittance earnings were

invested as follows: household purpose, purchase of land, purchase and maintenance of new house, paying off loan, deposit in the bank and finally for business purpose. Main reason behind it is conflict and non-availability of sizable investment funds for investing in productive sector of the economy sector.

- Key participants in remittance transfer are the sender, the receiver and the remittance service providers. For a remittance service to work, it needs to have some kind of a network. And Procedures involved on remittance transfer are capturing, disbursement, messaging, settlement and liquidity provision. Sender pays capturing agent using any means of payment with sufficient information to identify the receiver, then disbursing agent will pay to the receiver as information provided by sender in cash or other means as on capturing. In messaging stage, the information from capturing agent to disbursing agent is provided. Then, settlement is done normally by means of credit transfer from the payer to the payee's bank with one of the payment being cross border. Some time payment should be made before the fund are received so there need liquidity, which incurs cost. The increased speed achieved by providing liquidity is therefore likely to increase the overall price of the service.
- Remittance is emerging concept in Internal economy, yet new and prevails problems. Major problem of the remittance is the market of remittance like lack of transparency in market, weakness in Infrastructure for transfer, possibility of adverse effects from poor and weak legal framework, Lack of competitive market and different risk involved in it like financial, legal, fraud, etc. because of above problem. Another main problem of remittance is ghost town phenomenon i.e. economy highly dependent on remittance, if the inflow stops or decrease whole economy may collapse. Remittances are usually transferred through informal channel which exist risk. Those transferred remittance are not being utilized on productive sector. Also, growing gap between haves and have nots.
- It was only after the 1990s that policy makers and the academicians began to fully acknowledge the importance of remittances send by Nepalese employed abroad for enhancing the livelihoods of the households, including those in rural regions. During the past few years, Nepalese have sought overseas employment as both the agricultural and non-agricultural sectors struggle to create new employment opportunities and also because of Maoist insurgency. Many

Nepalese workers have seen migration as their only viable option and seek foreign employment to support family members who remain in the country. These support – Remittance, helping increase living standard of family. It's supporting not only family but the economy of the country as well.

- At the micro level, remittances boost up the income level and reduce the poverty of the recipient's. At an individual level, the contribution of remittances is for the welfare and improvement of livelihood of the receiving household, in terms of to fulfill the basic necessities such as food and clothing or better education and health of children. However, the money spent on better education and health for children are believed to have a favorable effort on growth, which tends to help in output production. Rural household tend to consume more domestically produced goods and hence generate larger multiplier effect than urban counterparts. At the macro level, the remittances provide significant sources of foreign currency and contribute to the BOP. The use of remittances for flourishing financial imports, helps to increase national income. Remittance also contribute to the expansion of communication services, courier companies as well as money exchange services, which contribute to the expansion of economic activities and increase employment opportunities.
- Main principles for the international Remittance services are; Transparency and Consumer protection, good payment system infrastructure, legal and regulatory environment, Market structure and competition, and Governance and risk management.
- With today's global economy and advanced technology, different ways for transferring money overseas are constantly evolving. Currently funds are being transferred by Money transfer operators (MTOs), through banks, online money transfer, new technology transfers, foreign exchange providers, hundis and hand carriage. Money transfer operators (MTO), banks, online money transfer, new technology transfers, foreign exchange providers, etc are official / formal channel of transfer and Hundis and Hand carriage is unofficial / informal channel of money transfer. In context of Nepal most of funds are being transferred through informal channel. Almost 80% of remittances are transferred by hand carriage and very nominal percentage is transferred through formal way. This is because most migrants and especially their families are not familiar with banking and

modern technique services. Furthermore, illegal migrants cannot obtain bank account, slow transfers process, limited knowledge are main reasons for using informal channel. But now people are realizing the importance of formal channel.

- Currently, Foreign Employment Act-2042 adopted by the state is control oriented and welfare of migrant worker is very much considered. In one sense the state's policy on foreign employment is perfect but its implementing aspect is found very weak due to the identified problems at all level. Government's action is not directed in a proper way as the policy has directed. Government is lacking financial and human resource to strengthen the capacity of labour administration. Labour migration, being a highly important source of national income, it is not in the priority of the government.
- Government of Nepal has formally opened 107 Countries on institutional basis for sending labour in foreign employment. Also, there are many financial institutions now involving in channelizing the worker's earning and Nepal Rastra Bank the countries' central bank to encourage transferring fund through formal channel has provided "letter of intent" to 61 additional interested institutions for directing remittances through the official channel. Owing to the positive effect of remittances, the country has accorded priority in promoting overseas employment and mobilizing remittances so as to maximize the benefits from these transfers. Other policy initiatives have also been undertaken so that remittances could be directed through the banking channel; to provide 15 paisa per US dollar as commission to licensed private firms in addition to the prevailing buying rate, permission granted to man power agencies for foreign employment, to open foreign currency account in the Nepalese commercial bank.
- The impact of remittances in national economy can be proved by the fact that it has surpassed exports as the top contributor in the foreign exchange earnings of the country. Likewise, the remittances to GDP ratio also increased from 11.70 percent in 2003/04 to 18.56 percent in 2007/08. The growing remittances have led to surplus in the current account, thereby strengthening the overall balance of payments position. The share of remittances in total current account receipts is mounting. Remittances have relaxed foreign exchange constraints of the country. Studies on the poverty impact of remittances have demonstrated that apart from possibly increasing inequality and dependency, remittances make a

pivotal contribution to reducing poverty and vulnerability in most households and communities. In Nepal's case, the impact of remittances on poverty has been positive as revealed by the Nepal Living Standard Survey (2003-04) that showed that the poverty level, defined in terms of absolute head counts, declined from 42 percent in 1995/96 to 31 percent in 2003/04. Inward remittances to its recipients here in Nepal have become the most important financial support. It has helped overcome their financial difficulties.

5.2 Conclusion

Globalization, pull factor and push factor in the economy are the main reason for the migration. In context of Nepal also, as migration a natural phenomenon of globalization era, many people are migrating. Both the developed as well as developing economies have much to gain from an increased flow of worker. In the 1990s increased globalization has effectively opened up new labour employment opportunities in newly industrialized countries, like Malaysia, Taiwan, and South Korea in Southeast Asia, and in the Gulf states in the Middle East, for men and women from South Asia, including Nepal. Even in developed countries, like Japan, the UK, Europe, and the USA, new opportunities for labor migrants have emerged, because of cheap labour. Numbers of people going abroad for work have been increased for the last few years, especially the origination of armed conflict in Nepal. Unexpectedly the foreign labour migration has developed in such a way, which has shifted the agricultural based economy towards remittance based economy. Choice of destinations is depended on socio-economical status. It is studied that rich people migrate towards Japan, South Korea, America and Europe whereas poor people to India, Gulf States and Malaysia. Major concentration of Nepali migrant workers was in Gulf States for the very beginning but the dynamics has been changed and people are migrating towards Malaysia since the past three years even though the number of people going the Gulf States is still significant.

Because of the lack of opportunities and the less benefit, many people of developing countries are migrating to the developed countries and this rate has been increasing year by year. With the increase in the number of workers, the inflow of remittances has also taken an upswing. It's not only helping developing countries fight with unemployment problem but also contributing a lot by earning foreign currency and many other more as well. Foreign employment helps to divert large amount of

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

Remittance has also its pros and cons. Its one of major con is many skilled, talented and energetic people of the country have been migrated and hardly have they returned to their motherland. This has effected on development of the country. Remittances have positive impact on national economy as well as household economic conduction but this is not satisfactory. Maximum parts of the remittances have been used in household expenses like loan repayment, house maintenance and social spending. The government is still unable to execute any strong plan for proper utilization of unemployed skilled manpower. Rather they are tussling for the position of government. Likewise, the study also reveals that bringing more remittance money through formal channels is critical. So the current need is for more effective migration management to reduce the vulnerabilities of migrant workers and safeguard the rights of migrant workers.

Furthermore, we can conclude that foreign employment and remittances is one important component of national economy. It plays a vital role in the development of the country by helping to increase or uplift the economy of the nation. Many people's living standard has been increased through remittance. Remittance income in developing countries has become a lifeline for economic development. Remittances are especially important for low-income countries or developing countries like Nepal. It helps to boost the economy of the nation. Moreover, it has to some degree have been quite successful to support the fundamental building blocks towards sustainable economic development. They have played an important role in current account dynamics by offsetting high trade account deficits and volatility. The development potential of remittances can obviously be improved by increasing the total flow of

remittances, lowering the transfer costs and offering more attractive investment alternatives. Considering the fact that there are fewer opportunities to work within the country, the export of Nepalese labour will continue to take an upward trend. This is bound to lead to an upsurge in remittances.

As depicted in the above study we have reached to the conclusion that 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.

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. Therefore, government should look into the possibilities to improve the remittance field in Nepal by imposing less tax and other different factors.

5.3 Recommendations

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

⇒ Regarding Foreign Employment

Since Most of the migrant Nepalese workers have gone to Gulf countries and Malaysia so these destinations are congested area of the Nepalese workers. Whereas very less workers have gone to Japan, Korea, USA where they can

earn much more money because of lack of confidence, money and skill. The Ministry of Labor and Transport Management GON should make new policy to identify new potentialities destinations and create opportunities to go these destinations. Where the workers will earn more money than the existing countries. Nepalese authorities concerning foreign employment should be effortful to send trained and educated Nepalese youth for foreign employment. Such youth would remit more money from abroad to Nepal than that of un-skilled youths working abroad. Thus, Government as well as Manpower Company should initiate in providing appropriate trainings for the potential labour migrants for getting well paid job and develop their skills. Apart from these, Nepal government should establish Nepalese Embassy where Nepalese labor work and should effectively monitor over the activities of employing companies.

Most of the Nepalese people have come from rural areas and of low income. Basically their way of surviving is agriculture. Being on the vicious circle of poverty, they are unable to afford for migrating process. Therefore, the government should make favorable policy to facilitate them by providing loan in minimum interest rate. If they go foreign countries for employment, they should borrow or loan at the high interest rate. So the policy should be made to give more opportunities to poor people of rural areas as well as facilitated to them from funds for foreign employment. Thus GON should provide loans to the poor people in the cheap interest rate who want to go to foreign employment.

⇒ **Devise Government Strategy about Remittance**

Nepalese government has adopted liberal economy and open democratic environment as its guiding economic and political strategy. In this regard, the policy formulated by the government should be guided on that. Policies are needed to encourage the use of remittances to promote longer-term growth and income security. Nepal needs to further devise policies that; send more remittances through official mechanisms, encourage migrant to remit rather than holding them abroad, and to become investor in productive sector in country.

⇒ **Formal Channels - Banking systems**

Nepalese economy has received large amount of remittance but remittances are still being transferred through informal channels. The banking system of Nepal has not been developed fully both in terms of coverage and efficiency. It is necessary to expand the banking network in the rural areas. Formal channels should be promoted. At least one formal institution must be established to facilitate transfer remittance in each destination. At the same time, as it might be economically viable for the commercial banks to open their branches in remote areas, which can initiate collaboration for conducting the remittance business. A large section of Nepalese workers going abroad are from lower middle class and lower class residing in the rural areas. Most of them have hardly ever used the banking service. As a result, they are not aware about the formal channels. Hence, a publicity campaign and /or a nationwide advertisement scheme needs to be developed and implemented to familiarize the rural people to remote areas with the banking services. The workers will be inclined to use the banking channel only if the services provided are quick, reliable and efficient. Hence, new technologies that are constantly changing in the international banking system should be introduced in order to make the payment process quick, simple and hassle-free. In addition to the high fees of the money transfer are also main reasons behind not using the formal channels. Thus it is better to explore possibilities to lower the transfer cost through broader bilateral agreements between the countries. Furthermore, different incentives could be provided by the government level as well as from the private sectors for encouraging the people to remit earned money through the formal channels.

⇒ **Utilization in Productive sectors**

Surely remittance income is playing very positive role to reduce rural poverty and also it is improving the social as well as other economic indicators of the country but this is not satisfactory. Maximum part of the remittance income have been used in unproductive sectors like regular household expanses, loan payment, house improvement and social spending etc. this don't give any return in the future. To invest the remittance income in productive sector, the government should initiate, for example by issuing development bonds like

Remittance Bond, having higher rate of interest, or a kind of Mutual Fund. Most of the returned migrants or their families have not utilized their remittance and newly learnt skills at abroad when they came back home because of lack of technology, conflict problems, non availability of sizable investment funds and lack of market etc. So the policy should made to solve the conflict situation, create good environment and provided sufficient technology as well as market and the GON should play as the role of facilitator for all the investors and the workers. Government should be given more opportunities to them in using their newly learnt skill after returning from the foreign employment.

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www.nrb.org.np

ANNEX

List of Countries opened for Foreign Employment

Government of Nepal has formally opened the following 107 countries on institutional basis for sending laborers in foreign employment. But now-a days, the government has also restricted to go Nepali workers in some foreign countries including Iraq* due to massacre of 12 Nepali laborers in Iraq.

S.N.	Country	S.N.	Country	S.N.	Country	S.N.	Country
1	France	28	Belgium	55	Iceland	82	Ireland
2	China	29	Iran	56	Holy see ¹	83	Bosnia Herzegovina
3	Russia	30	Canada	57	Malta	84	United Arab Emirates
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	Czech Republic	100	Israel
20	Thailand	47	Luxembourg	74	Republic Slovakia	101	Macao
21	Indonesia	48	Nigeria	75	Guyana	102	United States of America
22	Mongolia	49	Libya	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 Sevchelles in 1756 in honor of French Minister of Finance.

List of Licenced Money Transfer & Principal Companies

S.N.	NAME OF AGENCIES & PRINCIPAL CO	ADDRESS	Phone No.	Validity of Licence
1	<i>Easylink Pvt. Ltd</i>	<i>Thamel</i>	<i>4416239</i>	
	MoneyGram Payment Systems, Inc., London			2065 Magh
2	<i>Annapurna Travel and Tours (P) Ld</i>	<i>Ghantaghar</i>	<i>4223530</i>	
	Western Union Financial Services, Ireland			2065 Marg
3	<i>Unique Money Exchange (P) Ltd.</i>	<i>Thamel</i>	<i>4417409</i>	
	Xpress Money Services Ltd., London			2065 Magh
4	<i>International Money Express Pvt. Ltd.</i>	<i>Kantipath</i>	<i>4430600</i>	
	International Money Express (M) SDN BHD, Malaysia			2065 Marga
	Xpress Money Services Ltd., UK			2065 Marga
	MoneyGram International Ltd., UK			2065 Marga
	International Money Express (IME) Ltd., London			2065 Marga
	Gopisa L.L.C., USA			2065 Marga
	City Exchange Co. LLC., Qatar			2065 Marga
	Dalil Exchange, Bahrain			2065 Marga
	Instant Cash Worldwide Ltd., London			2065 Marga
	Samba Financial Group, Saudi Arabia			2065 Marga
	Zenj Exchange Co. W.L.L., Bahrain			2065 Marga
	Golden Wings Aviation and Finance Ltd.GWA, Israel			2065 Marga
	Union Exchange Co. WLL, Qatar			2065 Marga
	Alukkas Exchange Co. (WLL), Doha, UAE			2065 Marga
	Al-Jazeera Exchange Company, Doha, Qatar			2065 Marga
	Lari Exchange Co. W.L.L., UAE			2065 Marga
	Islamic Exchange Co. W.L.L., Qatar			2065 Marga
	International Trust Group fof Exchange, Precious Metal & Currencies Co., Kuwait			2065 Marga
	Mustafas Foreign Exchange Pte. Ltd., Singapore			2065 Marga

	EZ Remit Ltd., London, UK			2065 Marga
	Al-Darfor Exchange Works, Qatar			2065 Marga
	Al Mona Exchange Company LLC, UAE			2065 Marga
	Continental Exchange Solution, INC. DBA. Ria Financial Services, USA			2065 Marga
	Federal Exchange, UAE			2065 Marga
	Al Ahlia Money Exchange Bureau, Abu Dabi, UAE			2065 Marga
	Ceylinco Express Remittance Pte. Ltd., Singapore			2065 Marga
	Afima Expresss, Brunei			2065 Marga
5	<i>Union International Tours and Travels (P) Ltd.</i>	<i>Sundhara</i>	4263945	
	Galaxy Network Ltd., Hong Kong			2065 Magh
	Wallstreet Exchange Centre LLC., UAE			2065 Magh
	SMA International Ltd., Hong Kong			2065 Magh
6	<i>Summit Services Nepal P. Ltd.</i>	<i>Durbar Marg</i>	4229006	
	Summit Services LLC., USA			2065 Poush
7	<i>CG FINCO Pvt. Ltd.</i>	<i>Sanepa</i>	5549792	
	Western Union Financial Services, Inc., USA		4242735	2066 Jestha
8	<i>Sewa Money Transfer Pvt. Ltd. (Nepal Worldwide Money Exchange)</i>	<i>Kuleshwor</i>	4283728	
	Gulf Exchange Co., Qatar			2065 Poush
	Xpress Money Services Ltd., UAE			2065 Poush
	Global Exchange Co. W.L.L., Qatar			2065 Poush
	Trust Exchange Co. W.L.L., Qatar			2065 Poush
	City Exchange Co., WLL., Qatar			2065 Poush
9	<i>Prabhu Money Transfer Pvt. Ltd.</i>	<i>Ghantaghar</i>	4247687	
	Xpress Money Services Ltd., UK			2065 Ashwin 24
	Baharain Financing Company, Bahrain			2065 Ashwin 24
	Zoha Inc., USA			2065 Ashwin 24
	MoneyGram Payment Systems, Inc., USA			2065 Ashwin 24

	Prabhu Remit SDN BHD, Malaysia			2065 24	Ashwin
	Choice Money Transfer, Inc., USA			2065 24	Ashwin
	Lari Exchange Co. W.L.L., Qatar			2065 24	Ashwin
	Union Exchange Co. W.L.L., Qatar			2065 24	Ashwin
	Al Jazeera Exchange Co., Qatar			2065 24	Ashwin
	Arabian Exchange Co. W.L.L., Doha, Qatar			2065 24	Ashwin
	Unigiros Ltd., Israel			2065 24	Ashwin
	Instant Cash Worldwide Ltd., London			2065 24	Ashwin
	Coinstar Money Transfer Ltd., England			2065 24	Ashwin
	Ary Forex Ltd., Uk			2065 24	Ashwin
	Islamic Exchange Company, W.L.L., Qatar			2065 24	Ashwin
	City Exchange Co., WLL., Qatar			2065 24	Ashwin
	Emirates India International Exchange, Dubai, UAE			2065 24	Ashwin
	Al Ahalia Money Exchange Bureau, UAE			2065 24	Ashwin
	Money Transfer Limited, Hong Kong			2065 24	Ashwin
	Abdul Aziz Abdullah Al-Zamil & Sons Company Ltd., Saudi Arabia			2065 24	Ashwin
	Global Remit SDN. BHD., Malaysia			2065 24	Ashwin
	Trust Exchange Co. W.L.L., Qatar			2065 24	Ashwin
	Al Sayrafa Financial Business & Exchange Co., Qatar			2065 24	Ashwin
	Development Bank of Afghanistan, Afghanistan			2065 24	Ashwin
10	<i>Crystal Worldwide Money Express (P.) Ltd.</i>	<i>Bagdurbar</i>	<i>4150112</i>		
	Coinstar Money Transfer Limited, London			2065	Magh
	Omnex Group, Inc., USA			2065	Magh
	Al Fardan Exchange Co., LLC, Qatar			2065	Magh
	Global Money Transfer Ltd., Isreal			2065	Magh

	Money Exchange, S.A., Spain			2065 Magh
	Pascarn Services Ltd., UK			2065 Magh
	Ceylinco Express Remittance Pte. Ltd., Singapore			2065 Magh
	Continental Exchange Solution, INC. DBA. Ria Financial Services, USA			2065 Magh
11	<i>Liberal Money Express P. Ltd.</i>	<i>Thamel</i>	4423990	
	Union Exchange Co. WLL, Qatar			2065 Magh
	Ary Forex Ltd., UK			2065 Magh
	Remit Money International Sdn. Bhd., Malaysia			2065 Magh
	Pay2Home Pte.Ltd., Singapore			2065 Magh
	Instant Cash Worldwide Ltd., London			2065 Magh
	Al Sayrafa Financial Business & Exchange Co., Qatar			2065 Poush 15
	AN Express Ltd., UK			2065 Ashwin 15
12	<i>Incentive Tours and Travels Pvt. Ltd.</i>	<i>Lazimpat</i>	4435957	
	Unismec Universal Money Transfer, Korea			2065 Magh
13	<i>Muncha Money Transfer (P) Ltd</i>	<i>New Road</i>	4257549	
	PayQuick.com, Inc., USA			2065 Falgun
14	<i>Shiva Travels Pvt. Ltd.</i>	<i>Kamaladi</i>	4250155	
	MoneyGram Payment Systems, Inc., USA			2066 Jestha
15	<i>Lalit Money Transfer P. Ltd.</i>	<i>Jawalakhel</i>	5555526	
	Travlex Money Transfer, London, UK			2065 Kartik
16	<i>Sita World (Nepal) Pvt. Ltd.</i>	<i>Thamel</i>	4233012	
	Western Union Financial Services, Inc.,			2065 Aswin
17	<i>United Remit Pvt.Ltd.</i>	<i>Lainchaur</i>	4441560	
	Xpress Money Services Ltd., London			2065 Poush
	Instant Cash Worldwide Ltd., London			2065 Poush
	MoneyGram International Inc., USA			2065 Poush
18	<i>Raj Money Transfer (P.) Ltd.</i>	<i>New Baneshwor</i>	4782960	
	Instant Cash Worldwide Ltd., London			2066 Shrawan

	Ary Forex Ltd., Uk			2066 Aashadh
19	<i>Hulas Remittance Pvt. Ltd.</i>	<i>Ganabahal</i>	2161313	
	Western Union Network (Ireland) Ltd., Ireland			2065 Kartik
20	<i>Thamel Dot Com Pvt. Ltd.</i>	<i>Lazimpat</i>	4417000	
	J & P International L.L.C. USA			2065 Kartik
21	<i>Nepal Money Remit Pvt. Ltd.</i>	<i>Ghantaghar</i>	4239973	
	Trust Exchange Co., W.L.L., Qatar			2065 Poush
	Al-Bader Exchange, United Arab Emirate			2065 Poush
	Al-Zaman Exchange Co., W.L.L. Qatar			2065 Poush
22	<i>Mankamana Money Expres Pvt.Ltd.</i>	<i>Kantipath</i>	4266486	
	Xpress Money Services Ltd., London			2065 Chaitra
	Al Ahaila Money Exchange Bureau, UAE			2065 Chaitra
	Al Zaman Exchange Co. W.L.L., Qatar			2065 Chaitra
	Zoha Inc., USA			2065 Chaitra
	City Exchange Co., WLL., Qatar			2065 Chaitra
	Unique Change SDN. BHD., Malaysia			2065 Chaitra
23	<i>Prabhu Money Changer (P) Ltd.</i>	<i>Kantipath</i>	4247211	
	Omnex Group, Inc., USA			2065 Ashwin 13
24	<i>City Express Money Transfer Pvt. Ltd.</i>	<i>Ghantaghar</i>	4231900	
	Al Saad Exchange Company LLC, Qatar			2066 Jestha
	Ary Forex Ltd., Uk			2066 Jestha
	Islamic Express Company LLC, Doha, Qatar			2066 Jestha
	Instant Cash Worldwide Ltd., London			2066 Jestha
	Ceylinco Express Remittance Pte. Ltd., Singapore			2066 Jestha
	Rush Money Express SDN. BHD., Malaysia			2066 Jestha
	Union Exchange Company LLC., Qatar			2066 Jestha
25	<i>Three Star Money Transfer Pvt. Ltd</i>	<i>Lainchaur</i>	4374837	
	Three Star Management (M) SDN.BHD., Malaysia			2066 Jestha

26	<i>Delta International Money Express Pvt. Ltd</i>	<i>Kantipath</i>	4372976	
	Delta International Money (M) SDN.BHD, Malaysia			2065 Bhadra
27	<i>Capital Remittance (Pvt.) Ltd.</i>	<i>Battisputali</i>	4470881	
	Islamic Exchange Co. W.L.L., Qatar			2065 Magh
28	<i>Advance Money Transfer Pvt Ltd</i>	<i>Sundhara</i>	4232877	
	Wave Tal Ltd, Israel			2065 Poush 15
29	<i>Nava Durga Money Transfer Pvt. Ltd.</i>	<i>Dillibazar</i>		
	Kantipur Services Limited, London			2065 Magh

Source: www.nrb.org.np