

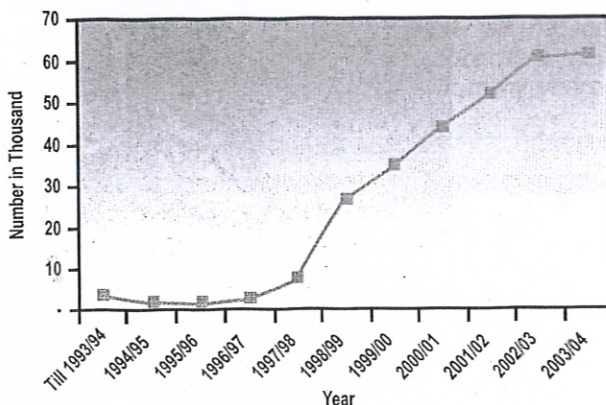
OPPORTUNITIES IN NEPAL'S REMITTANCE MARKET

Remittance has become one of the most important indicators of the benefits of migration. The area has captured the attention of governments, development agencies and financial institutions around the globe including Nepal.

Migrants represent 2.9 percent of the global population. According to UN Population Division, the global migrant population in 2005 was between 185 and 192 million people, up from 175 million in 2000. In terms of global remittance figure, in 2003, remittances through official channels totaled US\$ 93 billion. By 2004, it had already surpassed US\$ 100 billion. The figures are indicative of the fact that the global migration and remittance volume are in increasing trend.

In the Nepalese context, the political crisis, the Maoist problem in particular, the unemployment and security problems have been some of the major reasons pushing hundreds of Nepalese youths for work abroad. The number of Nepalese going abroad for employment for the last ten years, recorded at the Ministry of Labour (MOL), is as under:

Data of Nepalese going abroad for work



It can be observed that there has been a significant increase in the numbers of Nepalese going abroad for work after 1997. The above trend diagram represents the number of people who have gone abroad after registration with MOL. Besides, there are thousands of other Nepalese who have also gone abroad but without registration. Similarly, hundreds of students are applying everyday to universities abroad for higher education. Upon completion of study, many change their status to workers (legal/ illegal) who are again contributors to remittance. In addition, some families, mainly the affluent ones, have started to fulfill their

desire of a change in lifestyles by applying and obtaining the passport of the most developed countries of the world. Some, if not all of them, are again contributors to remittance.



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Among the several countries permitted by MOL for employment, the significant impact to the economy from remittance can be accounted mainly from 20 countries. List of the 20 countries are available in the table.

Notes to Table:-

1. The Money transfer Industry is growing at a very fast pace as there are people always moving from one country to another for employment, education or migration. Unfortunately, the remittance data are generally under reported or not reported and hence the remittances are much larger than officially reported by individual countries. A study done by David Seddon for the British Government's Department for International Development (DFID) in 1999 indicated the value of foreign employment laborers of Nepal as high as Rs.69 billion. Considering the significant increase in the number of migrant workers population now, the study above at USD 1.2 Billion remittance from top 20 countries seems justifiable.

2. Net Savings (remittable)/ person/month is the minimum amount a worker can save based on his/her salary less expenses. Data on salary/ expenses have been obtained from various manpower companies and the executives of Manpower Company's Association

3. Rate applied per USD is NPR. 71/-

4. Percentage of remittance through banking channel has been derived after consultation with executives of money transfer companies, banks and other related people

5. Numbers of people in the countries have been obtained after consulting the data of Ministry of Labour, Non Resident Nepalese Organization, Diplomats in the countries, and from Manpower Recruitment Companies operating in Nepal

6. The data are for fiscal year 2003/04

The actual numbers of Nepalese abroad in these 20 countries is estimated at 1,150,200. However, the number of remittance population is calculated at 769,080. The total amount of remittance from them is calculated at U S Dollars 1.2 Billion. However, the

Total Remitting Population - top 20 countries, and Remittance in Banking & Non Banking Channels

Sr. No.	Countries	Total Remitting Population	Net Savings (Remittable)/ person/month (NPR)	Total remittance to Nepal Annual (USD '000)	Percentage of remittance in Banking (%)	Total remittance to Nepal via Banking Channel (Annual USD '000)
1	Malaysia	237,500	5,000	200,704	40	80,282
2	Saudi Arab	213,750	8,000	289,014	60	173,408
3	Qatar	85,500	8,000	115,606	60	69,363
4	U.A.E.	71,250	8,000	96,338	60	57,803
5	Kuwait	23,750	8,000	32,113	60	19,268
6	S. Korea	7,200	15,000	18,254	10	1,825
7	Bahrain	6,650	8,000	8,992	60	5,395
8	Hong Kong	30,000	17,000	86,197	20	17,239
9	Oman	1,000	20,000	3,380	60	2,028
10	Brunei	1,000	20,000	3,380	50	1,690
11	Israel	450	10,000	761	60	456
12	Macao	950	20,000	3,211	60	1,927
13	Afghanistan	475	15,000	1,204	60	723
14	Saipan	285	10,000	482	60	289
15	Maldives	270	8,000	365	10	37
16	Jordan	450	10,000	761	60	456
17	Japan	8,000	50,000	67,606	10	6,761
18	UK	10,500	35,000	62,113	20	12,423
19	USA	70,000	20,000	236,620	20	47,324
20	Kosovo	100	20,000	338	50	169
Total		769,080	15,750	1,227,437	44.5%	498,866

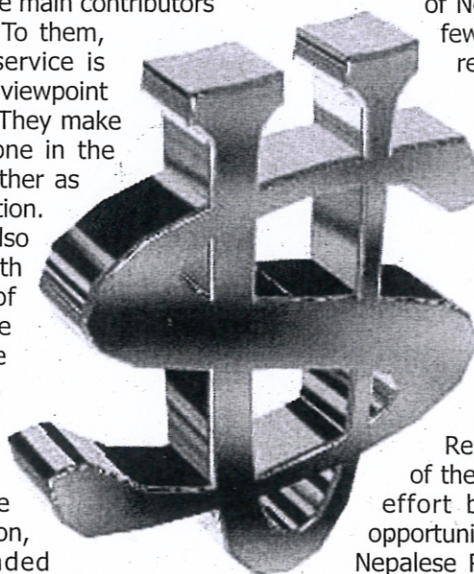
remittance through banking channels is less than 50 % at USD 498.86 Million.

As the core intermediary and also as the authorized facilitator for the related services, banks and money transfer companies in Nepal are the main contributors in the national treasury reserve. To them, the involvement in remittance service is attractive not only from the social viewpoint but also from the income aspect. They make dual income from remittance - one in the form of exchange gain and the other as commission per payment transaction. As many of the remitters have also started to open their accounts with the banks facilitating transfer of money, remittance services have also helped banks to enhance the clientele base at low cost deposits.

Money transfer companies abroad have also identified the opportunities in Nepalese remittance market. In the Gulf region, not only the old and branded companies, like Western Union and Money Gram, but also the newly established money transfer companies e.g., Xpress Money Services Ltd., EzRemit Ltd. etc. have been recording tremendous growth through

remittance to Nepal. For some of these companies, remittance to Nepal is the major portion of their total income.

The financial forecast carried out by Central Bank of Nepal has shown that, over the past few years, the amount secured through remittances have increased by many folds. The fact that Nepal's stake in global remittance market is above 1 % further justifies the scope of business. Moreover, new Nepalese worker market like Malaysia and Korea are adding further to the scope on remittance. Nevertheless, there is still a lot to be done. Around USD 700 Million is yet to be put in legal channel. There are still several unexplored Nepalese Remittance Markets abroad. The need of the hour is an integrated collaborative effort by all concerned to exploit the opportunities of the increasing scope of the Nepalese Remittance Market.



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