



Remittances in Nepal during COVID-19, *resilient or slow crash?*



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1. Executive Summary

Remittances, broadly defined as financial or in-kind transfers made by migrants to friends and family back home, are a mainstay of South Asian economies. Remittance is an important part of the migration process, hence they cannot be separated. Remittances contribute to reducing poverty and building human capital. In Nepal, remittances are a lifeline for development, and one in three households rely on them to manage expenses. Historically, for Nepal, remittances have flown in from people working in different countries since the sixth century when Nepali migration had been recorded. Traders and workers were sending money from Tibet and British India that included current day Pakistan to Malaysia. There were large remittances from the British Gurkha and later India Gurkha who sent remittances. Major migration began in 1990s and from 2000, remittances started to become big. Remittances comprise of large shares of Gross Domestic Product (GDP) in all South Asian countries; in Nepal, it is especially high as it accounts for 23.5% of GDP as of 2020. However, the analysis is limited to formal remittances as there is lack of analysis for remittances sent through informal channels.

Objective of the study: Examine the context of South Asia and particularly Nepal, whether remittances have remained resilient during COVID-19 or is slowly dwindling. The study involves understanding in granular detail the origin and destination of remittance inflows, shifts in pre- and post-COVID-19 remittance scenarios, usage of formal vs. informal channels, along with the impact of shifts in remittance transfer modes. The findings have been distilled from the Key Informant Interviews (KII), virtual Focus Group Discussions (FGD) in 9 countries and quantitative survey of 1200 individuals.

Context: In terms of the trend of migration, there was a steady rise in the number of labour permits issued every year since FY 2008/09 up till 2013/14, when the number peaked and reached about 519,638. Since then, the number has fallen continuously, reaching 72,081 in FY 2020/21 for diverse reasons. As of 2020, DoFE has approved labour migration to 110 countries. While Nepalis are estimated to work in as many as 172 countries, the number of labour migrants leaving Nepal reached an all-time high in 2013 and has since dropped. Logically, the decline in the number of Nepali workers leaving the country should have led to decrease in remittances, but on the contrary, remittances increased from USD 4.93 billion in FY 2012/13 to USD 7.79 billion in FY 2018/19. The formal remittances in FY 2021/2022 declined as the use of informal channels went back up with air travel restrictions being lifted. The outbreak of COVID-19 led restrictions such as international travel bans,

nationwide lockdowns, curfews, full-border closures, and suspension of non-essential activities severely affected the mobility of millions of people, including international migrants.

The impact of COVID-19 was lower than anticipated: 93% of migrant workers continued to work in the same job after the onset of COVID-19 suggesting lower impact on jobs against the anticipation of huge job losses. Interestingly, almost 60% returnee migrants returned from vacation or holiday, whereas 31% returned due to expiration of visa/work contract. Nonetheless, the earnings of majority of migrant workers were impacted for a certain period, the average length of no work was 1.41 months, and partial work was 2.59 months, which led to the decrease in frequency of remittance after the onset of the COVID-19. Migrant workers were able to send in more money mainly due to mobilisation of savings at the destination country. On average, Nepali migrant workers save up to 30% of their earnings at the destination country. 93% of the remittance receiving households and 72% of returnee migrants reported that the migrant workers were able to send more money owing to their existing savings.

Remittances through informal channels could be as high as formal channels: Remittances through informal channels have been estimated to be up to NPR 10 trillion (USD 7.5 billion), as indicated by the Confederation of Banks and Financial Institutions (CBFIN). However, it is difficult to determine the value of informal remittance inflow or to observe the potential fluctuations in informal remittances in correlation to fluctuations in formal remittances. Migrant workers prefer sending money through informal agent/channels as they offer better exchange rates without a service charge compared to formal remittance channels. This is one of the main reasons driving informal transactions. As per the study findings, there are additional challenges pertaining to trust amongst the migrant workers towards the government and private sector owing to the lack of acknowledgement for their contribution, and absence of incentives and reward for using formal remittance channels.

Migration will continue, remittance continues to grow, the challenge is to convert the remittances from informal to formal channels: In Nepal, migration will not reduce until jobs are created within the country. There are half a million people entering the job market each year and the total job creation in Nepal is around 50,000. The number of Nepalis settling down in different countries has increased dramatically. Despite the subdued short-term outlook of remittances and its implications to the economy in the coming years, remittance inflows are predicted to continue to grow in the long run, owing to continuing migration and increasing population of diaspora.

Key recommendations: A multi-pronged approach combining government policies, private sector engagement and awareness campaigns is key to ensure movement of remittances from informal to formal channels, and productive usage of remittance towards long-term savings and investments. The current provisions in the formal channel neither rewards nor incentivises remitters to use formal channels in an environment where informal channels are highly active, and offer attractive exchange rates over the formal ones. Further, there is a dearth of customised financial products in the offer that meets the needs of aspiring and returnee migrant workers, and remittance receiving households. Thus, to mitigate these gaps and challenges, there has to be long-term saving and investment avenue to encourage investments of remittances. Nepalis should be allowed to invest outside Nepal and have USD designated Nepali funds with returns in USD to ensure that they do not lose out on exchange losses. Banks should introduce innovative banking products and services to cater to the needs of both migrant workers and the diaspora population. Further, it is also important to push digitisation and effective management, disclosures, and analysis of remittance data to build a better policy environment. Lastly, it would be key to promote awareness, build capacity and financial literacy, generate trust and confidence in the ecosystem. This would require a comprehensive programme or initiative from the key stakeholders within the ecosystem.

2. Study Background and Structure

2.1. Background

Remittances, broadly defined as financial or in-kind transfers made by migrants to friends and family back home, are a mainstay of South Asian economies. South Asia is the largest recipient of remittances in the world, accounting for 27.22% of the total remittance flows to Low-and Middle-income Countries (LMICs) in 2020. South Asia received 19.45% of the world's total remittances (USD 139.8 billion) in 2019. This figure increased by 5.2% to reach USD 147.1 billion or 21% of the world's remittances in 2020. India, the largest South Asian economy, has been the top receiver of remittances in the world since 2008, receiving more than USD 83 billion in remittances in 2020.⁽ⁱⁱ⁾

Table 1: Remittances Received by South Asian Countries in 2019 and 2020 (in USD millions)

Countries	2019	2020	2020 (as % of GDP)
Nepal	8,249.50	8,101.57	23.51%
Pakistan	22,245.00	26,105.00	9.93%
Sri Lanka	6,748.70	7,140.00	8.85%
Bangladesh	18,363.86	21,749.70	6.61%
Afghanistan	828.57	788.92	4.12%
Bhutan	56.66	83.39	3.33%
India	83,332.08	83,149.00	3.07%
Maldives	4.22	4.22	0.11%
Total	139,828.59	147,121.8	

Source: World Bank, 2020

Remittances comprise large shares of Gross Domestic Product (GDP) in all South Asian countries but especially in Nepal, where it accounted for 23.5% of GDP in 2020, significantly higher than that for Pakistan, the second country in South Asia with the highest remittance/GDP ratio (9.93%).

Migration and Remittances in Nepal

Nepalis have been migrating for work since the sixth century, when Nepali artisans first ventured to Tibet. In the twenty-first century, work remained the primary reason for Nepalis to migrate. Foreign employment is a common livelihood strategy for Nepalis and remittances generated from migrant workers keep Nepal's economy afloat. ⁽ⁱⁱⁱ⁾ Remittance is an important part of the migration process and hence cannot be separated. The remittances contribute to reducing poverty and building human capital. In Nepal, remittances are a lifeline for development and one in three households rely on them to manage expenses. ^(iv) With the soar in remittance inflow since 2000, some of the other major fronts have also experienced positive changes. The adult literacy has increased from 48.6% to 88.6% in 2020, ^(v) life expectancy has risen from 63 to 70.77 years in 2019 ^(vi) and the percentage of population living under the poverty line has fallen from 40% to 25% in 2011. ^(vii) The poverty rate further dropped to 16.6% in 2019 as a result of the positive impact on socio-economic growth and increment in standard of living of households due to the influx of remittances. ^(viii) Additionally, it was estimated that if remittance inflow stopped, the rate of poverty would increase to 35.3%. ^(ix) The National Living Standard Survey (NLSS) 2011 reported that 56% of Nepali households (one in every two households) received remittance. ^(x) For the remittance receiving households, their income significantly increased from 22.4% in 1995/96 to 70% in 2008, ^(xi) directly enhancing their standard of living.

2.2. Objective of this Study

The COVID-19 led restrictions such as international travel bans, nationwide lockdowns, curfews, full-border closures, and suspension of non-essential activities severely affected the mobility of millions of people, including international migrants. Predictions concerning the future of international migration and related volume of remittances were pessimistic to say the least. However, the unexpected resilience of remittances amid the COVID-19 has raised several questions. So far, no study has empirically examined or convincingly explained why, against all expectations, remittance flows to Nepal remained resilient amid COVID-19. While various theories have been put forth, these are based on anecdotal evidence, best guesses and educated conjecture. This study aims to bridge this gap.

Considering the above backdrop, the primary objective of this study is to examine, in the context of South Asia and particularly Nepal, whether remittances have remained resilient during the COVID-19 or whether they may, in fact, be slowly dwindling. If remittances are indeed stable, as reported elsewhere, the aim is to understand why and how. Further objectives are:

- To understand, in granular detail, the origin and destination of remittance flows.
- To examine shifts, if any, in remittance transmission modes pre- and post-pandemic, such as greater use of formal vs. informal channels.
- To examine impact of shifts in remittance transfer modes, such as implications for temporal comparison of remittance data.

2.3 Research Questions

Within the framework of the objectives above, the study has aimed to address the following questions:

- Given that the pandemic likely affected the incomes of migrants in their country of destination (CoD), what are their motivations to continue sending remittances?
- Are migrants sending all their money home in anticipation that they may not be returning to their workplaces?
- Are there major shifts in remittance modes pre- and post-pandemic?
- Are migrants resorting less to informal channels during the pandemic? If so, were there major leakages or under reporting before the pandemic?
- Are there major differences (and changes in these) that can be discerned between the ways migrant workers and members of the diaspora remit?
- What is the influence of humanitarian motives for sending remittances?

In addition to the above questions, the study has sought to address additional research questions related to outbound migration and rate of remittance and migration trend of Nepalis;

- Why has outbound migration declined? Is it due to lower demand for labour in destination countries or other reasons?
- How will the decline in outbound migration affect remittances?
- What is the economic/employment outlook in major destination countries and how will it impact employment opportunities and remittances in South Asia?
- Will workers from South Asia be replaced by workers from Africa?
- On average, what percentage of earnings do migrant workers send back? Is there a significant difference pre- and post- COVID-19?
- If the percentage of earnings sent home has increased, why and how?
- How many migrant workers have lost their jobs and returned home due to the COVID-19? In which sectors were they employed in their CoD?
- How has the COVID-19 affected income levels of migrant workers?
- How do natural disasters and humanitarian crises affect flow of remittances in general? What are the historical patterns and trends?
- Do migrant workers remit less than the assumed 80%? Do they maintain savings in their CoD, which would also explain how remittances increased after the 2015 earthquake?

- Do migrant workers spend and save less money in their CoD and send most of their money to Nepal?
- Are there significant changes in behavior of remitters pre- and post-COVID-19?
- Have preferred methods for remitting funds changed?
- Will these changes persist in the near- and long-term future?
- Will remitters continue to use formal channels or revert to informal ones once travel restrictions have eased?
- What are emerging destination countries and upcoming market-driven employment opportunities?
- What opportunities have government-to-government (G2G) agreements created?
- Government policies
- How will growth in skilled migration and diaspora impact remittances in Nepal?
- How has per capita remittance changed over the years?
- Are low returns on education provided by work in Nepal pushing youth to emigrate in search of better opportunities?
- How has the COVID-19 affected remittances from India?
- What does the future of employment in India look like for Nepalis?
- What are current trends among female migrant workers? Are they significantly different from those among men?
- What proportion of total remittances do female migrant workers account for?
- What are the social factors that encourage women to migrate?
- What is the proportion of low- and high-skilled female migrants? What are the trends?
- What are possible future trends among female migrant workers?
- Has migration helped in the empowerment of women? How?

2.4 Geographical Focus

The geographical focus of the study is Nepal but, where possible, results are contextualised for other South Asian countries. Applicability of results and key policy messages for other South Asian countries is also presented.

2.5 Approach

The study adopted a mixed methods approach to collect available data on migration and remittance from various official sources. The approach began with the literature review followed by survey, stakeholder consultations-Key Informant Interviews (KII) and Focused Group Discussions (FGD). A semi structured questionnaire for the survey and discussion guides were developed for the stakeholder consultations and FGDs. Available in **Annex 2**.

A review of the literature on remittances in South Asia laid the groundwork for the study followed by a review of the literature on remittances in Nepal. The review focused on publications released within the past decade (i.e., since 2011) and prioritised publications released after the onset of the COVID-19. The search was primarily electronic through online platforms and published journals, working papers, reports, and articles. Most of the literature was in English and relevant materials published in Nepali were also incorporated into the review. Recent publications were prioritised.

Primary data was collected via three methods: stakeholder consultations-KIIs, FGDs, and a field survey. 21 KIIs were conducted with stakeholders from public institutions, international organisations, private institutions and associations, and academic/research institutions and journalists. 9 FGDs were conducted with stakeholders in Australia, Kuwait, Malaysia, Qatar, Saudi Arabia, South Korea, UAE, USA, and Nepal. The qualitative data from KIIs and 9 FGDs was supplemented by a quantitative field survey where responses were gathered from 1200 participants from three categories of respondents: Returnee migrants, Aspirant migrants, and Members of migrant households. For detailed approach, please refer to **Annex 3**. The key definitions for migrant workers, Nepali diaspora, formal remittance, and informal remittance used for the purpose of this study is available in **Annex 1**.

2.6 Limitations of the Study

- The Nepal Rastra Bank (NRB) only discloses the bulk remittance received in Nepal, therefore, understanding the remittance inflow based on country of origin has not been possible.
- The current remittance figure published by NRB does not split the flow of remittance between diaspora and migrant workers, as a result, identifying the remittance contributed by each category is not possible.
- While there are adequate studies carried out on migration issues and trends, there are limited evidence-based publications on remittances.
- The study sample does not allow for extensive disaggregation of findings due to a limited number of observations.

3. Migration and Remittance Trends Before and After the Onset of COVID-19 in Nepal

3.1 Migration Trend

Migration and remittance are intricately related to each other. To analyse the flow of remittances, it is important to understand the migration trend.

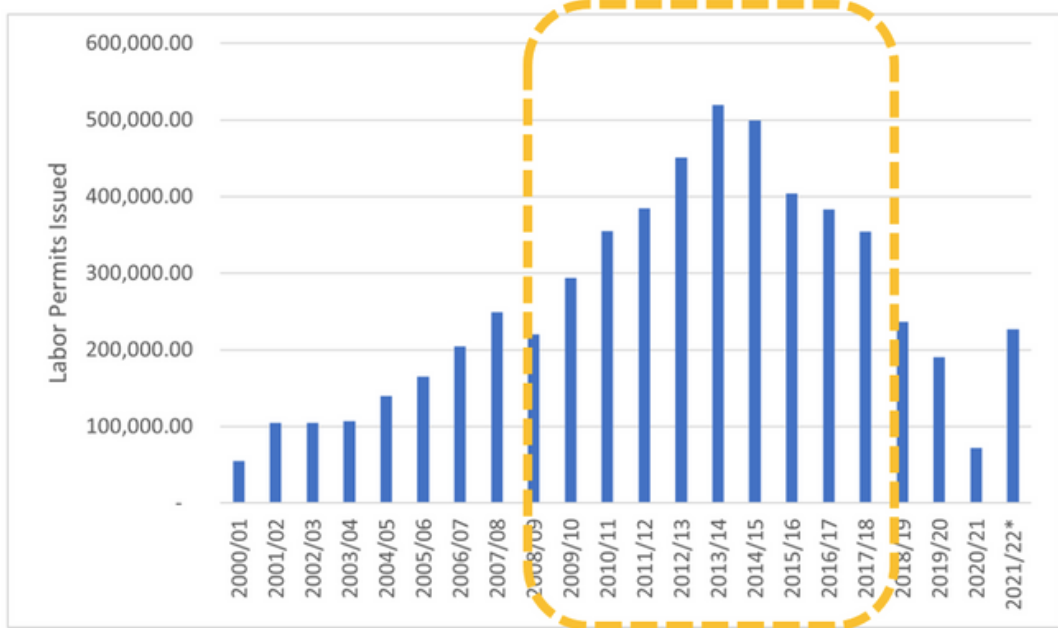
International labour migration from Nepal can be categorised into migration to India and migration to countries besides India (“foreign employment”).

DoFE issues and maintains records for labour permits but collects no comparable data on the large number of Nepalis who migrate to India for work. As of 2020, DoFE has approved labour migration to 110 countries.^(xii) Meanwhile, Nepalis are estimated to work in as many as 172 countries.^(xiii) The majority of Nepal’s migrant workers are concentrated in a handful of countries, namely India, the Gulf Cooperation Council (GCC) countries and Malaysia. For instance, between 2015 to 2019, excluding India, 90% of Nepal’s foreign employment was concentrated in five countries: Qatar (32%), Malaysia (24.1%), United Arab Emirates (UAE; 17.3%), Saudi Arabia (17.1%) and Kuwait (4.7%). The remaining 10% was distributed across 110 countries.

Migration outflow slowed down since FY 2013/14: In terms of the trend of migration, since FY 2008/09, there was a steady rise in the number of labour permits issued every year till FY 2013/14, when the number peaked at 519,638. Since then, the number has fallen continuously, which was further impacted by COVID-19 reaching to all-time low of 72,081 in FY 2020/21.

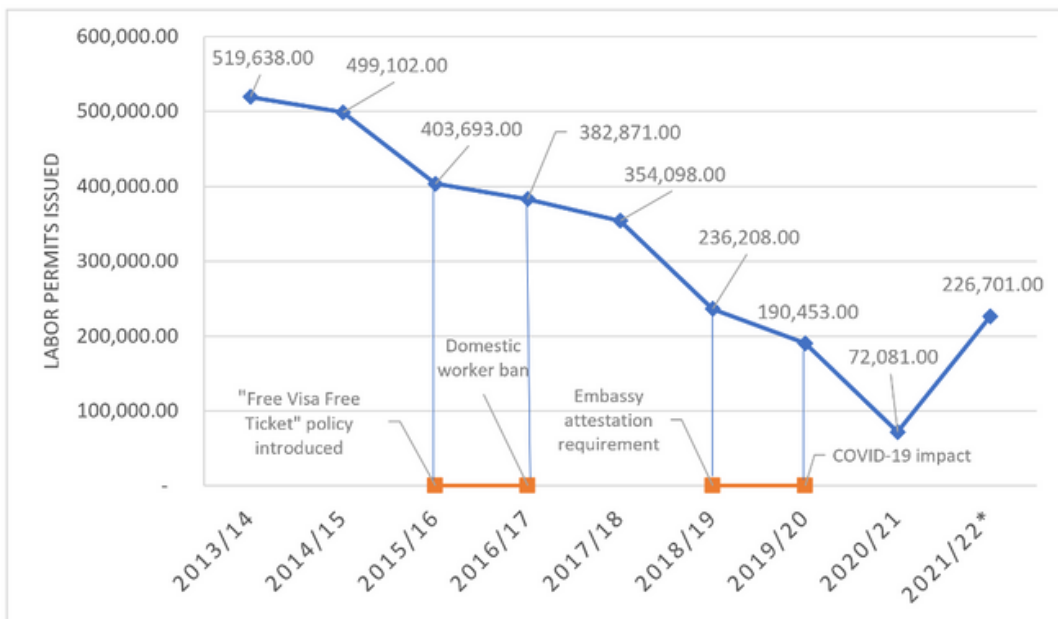
There are various reasons cited for the deceleration of outbound migration. Figure 2 illustrates primary reasons why outbound migration has decelerated since the FY 2013/14. The labour permits are seen to be declining against the backdrop of various government measures such as free visa free ticket policy, ban on domestic workers and embassy attestation requirement for employment permits. The outflow was further worsened by the impact of COVID-19.

Figure 1: Number of Labour Permits Issued by DoFE FY 1993/94 to FY 2020/21



Source: Department of Foreign Employment, * first eight months

Figure 2: Labour Permits since FY 2013/14 and Various Reasons for the Downfall



Source: NAFEA and the study team

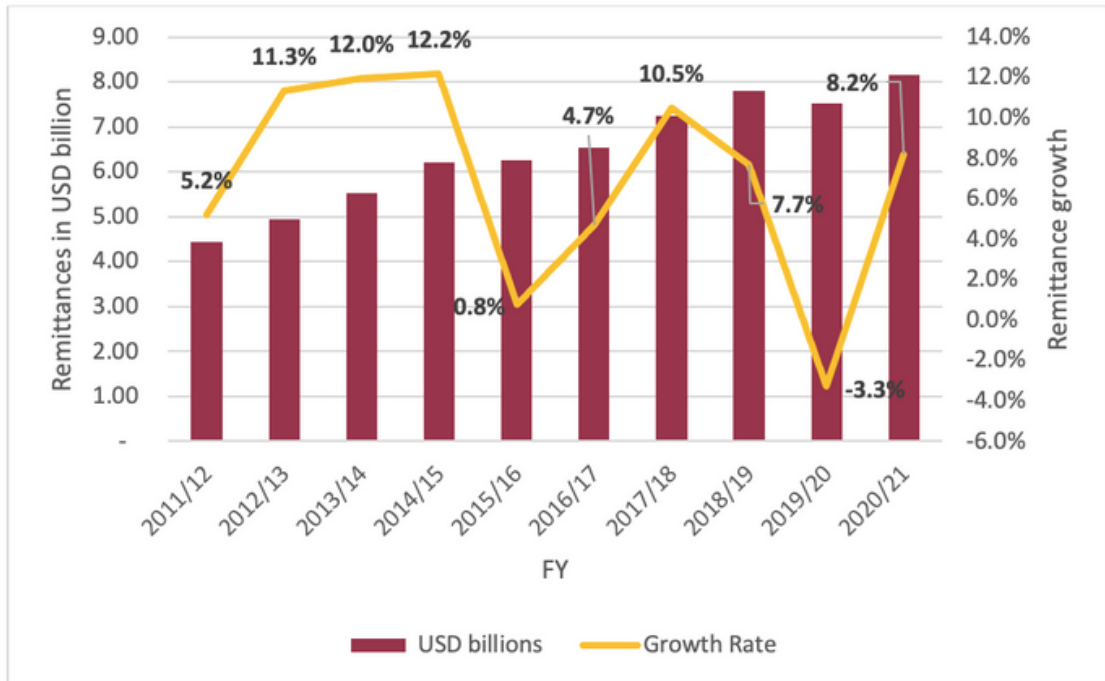
COVID-19 further dampened the outflow of Nepali migrants: The outflow of Nepali workers further worsened after the onset of the COVID-19. ILO Report 'Rapid Assessment of the Impact of COVID-19 on Private Recruitment Agencies in Nepal' stated that recruitment of migrant workers came to a complete halt after the GoN decided to suspend labour migration along with the enforcement with the lockdown in March 2020. This stopped around 115,000 workers who already received their labour permits from going abroad

while 328,681 workers were unable to get their migration processed through PRAs despite being offered pre-approval by the DoFE. Due to the impact of COVID-19, total migrant workers taking labour permits decreased by 20.6% in FY 2019/20 and 62.8% in FY 2020/21, wherein a total of only 262,000 labor permits were issued during the period.

3.2 Remittance Trend

The number of labour migrants leaving Nepal reached an all-time high in 2013 and has since dropped. Logically, the decline in the number of Nepali workers leaving the country should have led to decrease in remittances, but on the contrary, remittances increased from USD 4.93 billion in FY 2012/13 to USD 7.79 billion in FY 2018/19.

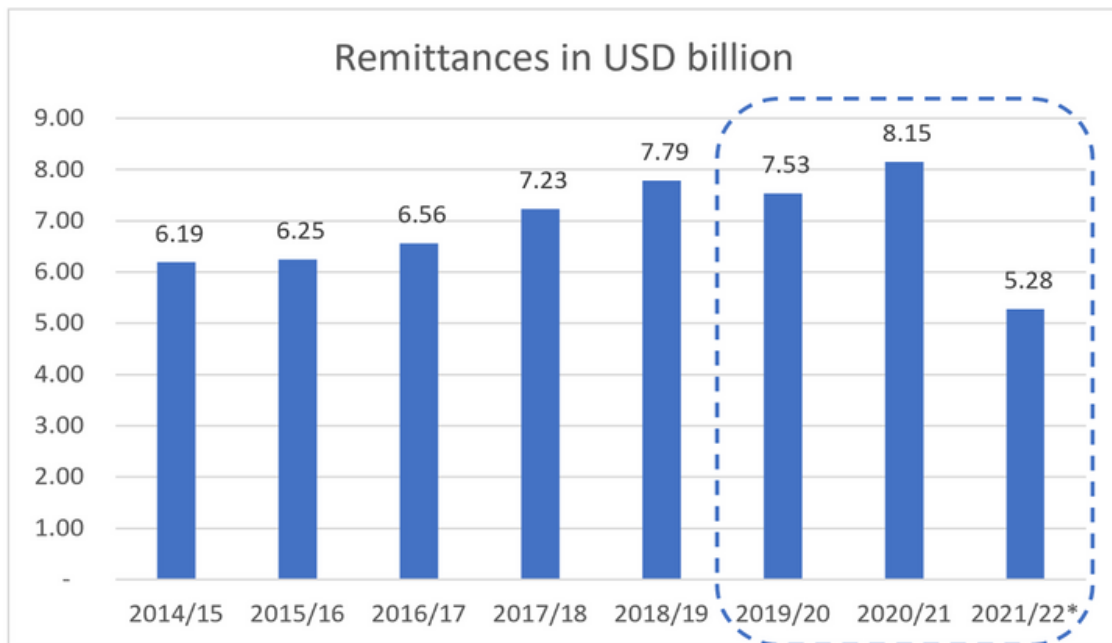
Figure 3: Growth Rate of Remittance (USD)



Source: Nepal Rastra Bank

Remittance Trend Before the Onset of COVID-19

Before the onset of COVID-19, between FY 2012/13 to 2018/19, remittance to Nepal was growing robustly with a compound annual growth rate (CAGR) of 10.11% in NPR value while in terms of USD value it was growing with a CAGR of 7.05%. A year before the onset of COVID-19 in FY 2018/19, remittance to Nepal in NPR terms increased by a whopping 16.50% to NPR 879.2 billion while in USD terms it increased by 7.80% to USD 7.79 billion compared to FY 2017/18.

Figure 4: Inflow of Remittances (In USD) to Nepal since FY 2014/15

Source: The NRB, * first six months data

Anticipation of Steep Downfall of Remittance to Nepal

With the onset of the COVID-19 and lockdown measures in place, the World Bank projected that the global remittances would decline by 20% in 2020, and by 22% in South Asia. The World Bank^(xiv) predicted Nepal's remittance to decline by 14% in FY 2020 and the Asian Development Bank (ADB) predicted that under its worst-case scenario,¹ remittance flows to Nepal would drop by 28.7% in 2020, the worst for any Asian economy.^(xv) Likewise, at the end of April 2020, a month into Nepal's first COVID-19-induced lockdown, the NRB projected remittance would decline by 15% in 2020.

Remittance Trend after the Onset of the COVID-19

Despite the estimation of steep downfall of remittance to Nepal, actual remittance flow towards Nepal remained strong and resilient during FY 2019/20 and FY 2020/21. In FY 2019/20, remittance to Nepal, in NPR terms, marginally dropped by 0.50% to NPR 875 billion, while in USD terms it declined by 3.30% to USD 7.53 billion. Contrary to the slight decline of remittance in FY 2019/20, remittance to Nepal rebounded strongly in FY 2020/21. In NPR terms, it soared by 9.80% to NPR 961 billion, the highest remittance that Nepal has ever received so far. Likewise, in USD term, it increased by an impressive 8.20% to USD 8.15 billion and crossed the USD 8 billion mark for the first time. Remarkably, remittance flow to Nepal remained steady despite the suspension of issuance of work permits by the DoFE between March to June 2020, and the fall of number of outbound migrants taking labour permits by 20.6% in FY 2019/20 and 62.8% in FY 2020/21.

1. ADB's worst-case scenario assumed that domestic outbreak control and resumption of economic activities would take a year and that the economic impact of COVID-19 would persist throughout the year and dissipate halfway in the last 3 months of the outbreak.

Slight Effect on the Remittance Inflow Target to Nepal Despite COVID-19

The National Planning Commission (NPC) in its 15th periodic plan (FY 2019/20 to FY 2023/24) has projected that the remittance to GDP will be 22.1% by the end of the plan. Also, the government has aimed to receive a total of NPR 5,592 billion remittances during the review period. So far, since the beginning of the plan till the end of first six months of the current FY 2022/23, despite the impact of COVID-19, Nepal has already received remittance up to NPR 2,304.4 billion i.e., 41.20% of the total target. So, in the next two and half years, Nepal will need to receive another NPR 3,287.6 billion remittance to meet the target of the government, which is roughly around NPR 109 billion remittance per month, which is currently on average around NPR 70 billion per month.

4. Study Findings

To understand the flow of remittance to Nepal since the onset of COVID-19 and its future trajectory, the section provides findings of the study under three major sections.

1. Why remittance was resilient during COVID-19
2. Why remittance dropped in recent months, and
3. Why migration will continue, and remittance will rebound

The findings are based on the literature review, KIIs with key stakeholders, FGDs at key destination countries and the primary survey carried out for the purpose of the study. The first section provides granular findings regarding the potential reasons for remittance resilience witnessed in the FY 2019/20 and 2020/21, the second section attempts to provide potential reasons for why remittances have been gradually declining since the beginning of the current FY 2021/22. The third section provides assessments on the outbound migration trends in Nepal, and how it might impact future course of remittances to Nepal. The key findings from the primary survey carried out for purpose of the study with three categories of respondents - returnee migrants, aspirant migrants, and remittance-receiving households - is provided in **Annex 4**.

4.1 Why Remittances were resilient during COVID-19?

This section presents various factors which have impacted the inflow of remittances and further helps to understand the resilience in remittances. The factors have been further segregated into three major sections, namely – Status of Nepali diaspora and migrant workers; Motivation to remit (why?), and Mode to remit (how?).

4.1.1 Status of Nepali Diaspora and Migrant Workers

Presence of a large population of Nepali diaspora and migrant workers:

According to the Department of Labour statistics, more than 1.80 million migrant workers were issued labour permits since FY 2015/16 till the first six months of the current FY 2021/22.^(xvi) The 2020 NPC study estimated that the number of Nepalis living outside is around 3.2 million.² Furthermore, according to the preliminary findings of the National Census 2021 published by CBS, the total Nepali population residing outside Nepal is 2.17 million. Among them, 1.76 million (81.28%) are males and 237 thousand (18.72%) are females. Such population was 1.92 million in 2011 census, thus indicating an increment of 12.9% in last decade. The new census figures are also in par

2. As of October 2020.

with the NPC study after deducting the number of returnee figures which is around 0.8 million as of December 2021. The tentative number of Nepalis living outside Nepal is between 2.1 to 2.4 million. Furthermore, a large migrant worker population have also gone abroad without obtaining labour permits from the DOFE. A possible additional concern with regard to the Census data is that it may not fully capture seasonal migration to India of six months or less since absentees are defined as those who have been away for more than six months. ^(xvii)

Box Story: Remittance Pattern of Labour Migrants and the Diaspora Community

Due to the existing limitations of the NRB to capture remittance flows at a granular level, there is a lack of disaggregated remittance data based on sex or category of remitters – labour migrants and the diaspora community. However, the study findings indicate that unlike labour migrants, who send money to Nepal on a regular basis, the pattern of remittances sent by the diaspora community is irregular. As the diaspora community is permanently settled in the destination countries, along with their immediate families, they do not remit money on a regular basis. Their motive to remit funds is mainly as gifts for friends and family, provide support to their parents living in Nepal, investments, or savings (in anticipation of higher returns) or for charity (to support various humanitarian causes).

Increase in the wages and skilled migrant workers:

Even though the outflow of outbound migrant workers has been declining over the last five years, the average wage earned by Nepali workers has been increasing.

- **Skilled labour and experience**

Skilled and experienced Nepali workers who earn higher wages have increased over the years. According to the Nepal Labour Migration Report 2020, 41% of the total migrant workers receiving labour permits in 2018/19 were skilled in some way. In 2017/18, this figure was 36%. Nepali migrant workers are also seen to have been promoted. Many who held low-paying positions until a few years ago have been promoted to higher-paying positions. Nepali migrant workers are moving up the ladder as they are now being employed as store managers, salesmen, waiters, restaurant managers, and so on, owing to the increase in semi-skilled and skilled labour migration compared to unskilled labour migration.

According to the study findings, nearly 14% migrant workers reported an increase in salary, wages, or bonus. Likewise, comparison of the salary of aspirant workers with the returnee migrant workers does not show any notable difference, refuting the hypothesis that aspirant workers might have been recruited at lower wage rates since the onset of COVID-19. For instance, the average salary reported by the returnee migrant from GCC region is NPR 63, 651 (USD 530), which is slightly lower than the amount reported by the aspirant worker i.e., NPR 69,378 (USD 578). As per the study, the average salary in GCC countries is USD 530, in Malaysia is USD 290, and in other countries is USD 1743.

- **COVID-19 induced opportunity**

Since significant Nepali workers in GCC countries were unable to return to Nepal since the onset of COVID-19, they had the opportunity to work extra hours in local companies as these companies were unable to recruit new or additional foreign workers. Further, the employers extended the contracts of Nepali workers whose permits were expiring or had expired. They were also given additional raise due to shortage of workers.

For example, in Australia, there is a high demand for workers in the retail sector. However, due to a labour shortage caused by COVID-19, the hourly wage rate was increased from AUD 20 to AUD 30-35 per hour. Furthermore, due to the scarcity of workers, students were allowed to work full-time. Besides increment of wages, many skilled migrant workers received an attractive package on retirement from their jobs. For instance, in Saudi Arabia, due to policy changes, many skilled Nepalis are being replaced by local Saudis, but they are being compensated a handsome exit package of around 1.5 million Saudi Riyal (USD 400,000).³

Continuous outflow of migrant workers via other mediums

A significant number of Nepali workers, including women, appear to be travelling abroad on tourist visas. Such developments have been captured in the national level newspapers and were also shared by key stakeholders during the study. The majority of these migrant workers that travel on such visas either work illegally in the destination country or are transferred to other countries illegally. In addition to meeting various regulatory requirements, it takes approximately two to three months for workers to legally fly out to destination countries. Similarly, the findings from the study indicate that there is a notable delay (up to three months) in issuance of labour permits. Moreover, it takes about two months on average for Nepalis to travel to their destination countries from the date of the issue of their labour permits.

[3] Focused Group Discussion, Saudi Arabia.

Therefore, many migrant workers are drawn to other forms of arrangements for travel. It is said that they pay informal agents around NPR 200,000 (USD 1665) for such arrangements. In the first eleven months of 2021, 65,000 Nepalis travelled to UAE on a tourist visa, and according to the NAFEA, 99% of such visitors are immigrant workers.

As significant number of women workers travel to various countries on tourist visas via India. Due to such malpractices, the parliamentary committee has recently directed the government to tighten the tourist visa policy. Based on the recommendation, the government has suspended visit visas to Gulf countries and Malaysia (effective on 24 January 2022). However, the government has amended its decision and will now grant visit visas to Nepalis who meet the outlined criteria.

Fewer number of migrant workers lost their jobs

Despite the expectation of a larger drop in employment among the Nepali migrant population after the onset of COVID-19, the number of migrant workers who returned to Nepal due to job losses was lower than expected. The report, published by NPC had estimated that around 618,700 Nepalis were expected to return to Nepal. Out of which 40% would return due to contract or visa expiration or other reasons, and 60% would return due to the impact of COVID-19. ^(xviii) The data from COVID-19 Crisis Management Center (CCMC), a total of 489,418 Nepalis returned from 60 countries as of August 2021. The highest number of Nepalis were repatriated from the UAE (146,624). Similarly, 117,408 migrant workers returned from Qatar, 25,379 from Kuwait, and 45,186 from Saudi Arabia. From Malaysia, 51,459 migrants returned, 13,926 returned from Japan, 3,840 from Korea, and 1,244 from Australia. ^(xix) Moreover, it is important to note that all the migrants who returned may not have returned due to job loss.

According to the study findings, interestingly, almost 60% returnee migrants primarily returned for vacation or holiday. Celebration of vacation/holiday (58.85%), expiration of visa (17.71%), expiration of work contract (13.28%) and family reunions, planning to apply for other countries or other social obligations (11.02%) were other key reasons for the return. Likewise, the findings clearly indicated that there was limited impact on jobs, 93% of migrant workers continued to work in the same job after the onset of COVID-19. Only 6.11% migrant workers joined new jobs while only 0.52% lost their job. Likewise, the average length of no work was 1.41 months, and partial work was 2.59 months during the peak of lockdown. About 54% of the returnee migrant workers reported that they worked during strict lockdown periods as well. Amongst them, only 33% received full salary, while 46% received partial pay and 24% did not receive any payments. However, a relatively lower proportion of the migrants (35.42%) revealed partial work (reduced working hours, days etc.)

during the peak of COVID-19 measures, out of them, 61% received full salary while 37% received partial pay.

Consultations with stakeholders indicated that employment loss was significant in GCC countries, primarily due to the rise in fuel prices and shortage of workers. Workers in these countries did not lose their jobs because construction and manufacturing work continued to operate even during the pandemic. Furthermore, the workers' contracts were renewed by employers even after expiry because hiring new workers was impossible amidst the grounding of international flights and halting of labour permits in Nepal.

4.1.2 Motivation to remit

Drawing on savings in destination countries: Many migrant workers remitted more than usual after the onset of COVID-19 due to uncertainty around their jobs and lockdowns. The migrant workers were able to remit more as they had some surplus savings at the destination country. According to stakeholders, on an average, Nepali migrant workers tend to save between 20 to 40% of their monthly earnings at the destination country and remit the rest on a need basis to their family members. In the GCC countries, migrant workers only remit 60% of earnings on average and hold the rest in the host country for consumption and savings.

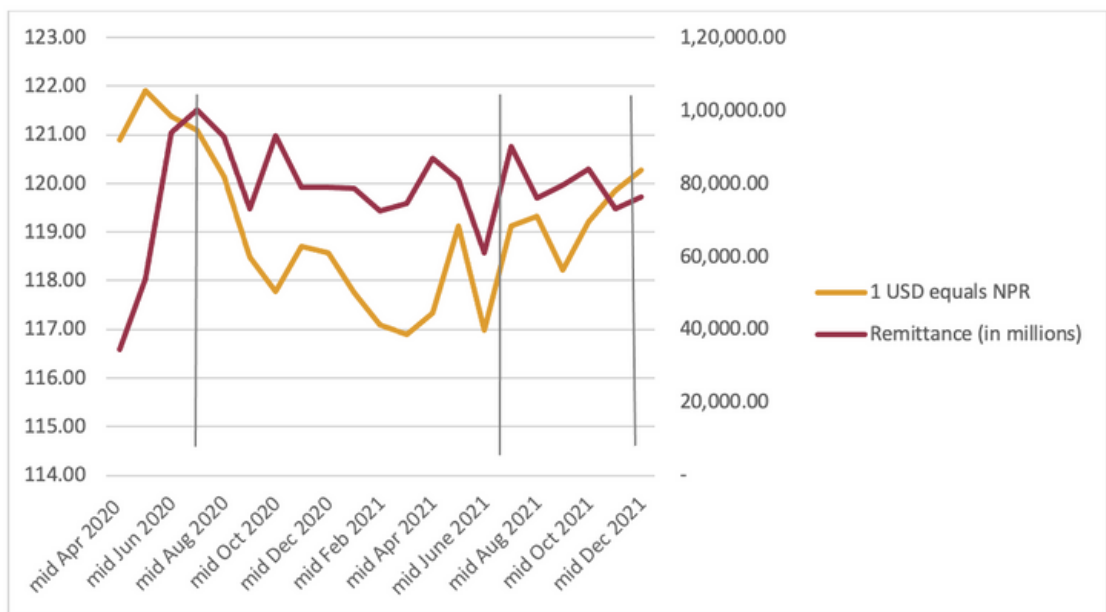
According to the study findings, almost 56% migrant workers sent same or more money after the onset of COVID-19. 93% of the remittance receiving households and 72% of returnee migrants reported that they were able to send more money as they had some savings at the destination country. The money was also remitted with a motive to support their families as many of them were struggling in Nepal due to pandemic-induced job losses,⁴ or had their income severely impacted by the subsequent lockdowns. Additionally, migrant workers were able to remit more than usual due to lower consumption expenditure at the destination owing to mobility restrictions. Likewise, the portion of rise in remittance is also linked with repatriation of overall savings by the returnee migrant workers after the onset of COVID-19. Furthermore, according to the findings of the study, Nepali diaspora, including students mainly from the US and Australia also transferred cash stimulus received from host countries to Nepal.

Foreign exchange gain: Ever since the pandemic, the Nepali currency (NPR) has been depreciating against major currencies on several occasions. Nepalis living outside Nepal tend to remit more when the US dollar appreciates against the NPR because the recipients in Nepal receive more Nepali rupees. A study conducted by NRB also confirmed that Nepali

[4] As per the World Bank study, six months into the first national lockdown, which began in March 2020, 25% of workers reported permanent job loss and 19% reported a prolonged work absence of 4.4 months on average (with a gap of 4 months since the last pay).

migrants tend to send more money when the USD to NPR exchange rate rises. There were evidence of a positive correlation between the amount of remittances sent by migrant workers and the appreciation of the USD against the NPR.^(xx) Moreover, the migrant workers might have sent remittances by taking advances or loans in order to take benefit of the favorable exchange rates.^(xxi) For instance, from April to August 2020, when the USD exchange rate was above NPR 120, the inflow of remittances remained strong, while remittances began to fall in early August 2020 as Nepali currency appreciated against USD. The Figure 5 below shows how the fluctuations in remittance inflows and the fluctuations in the NPR-USD exchange rate follow a similar pattern.

Figure 5: USD vs NPR Forex Movement



Source: The NRB

Humanitarian reasons: During times of crisis, labour migrants and diaspora communities tend to increase the amount of money they send, a phenomenon known as counter-cyclical of remittances.^(xxii) This trend was observed during the 2015 Gorkha Earthquake as well wherein migrant workers sent money to rebuild their houses that were damaged by the earthquake, while the Nepali diaspora collected funds and transferred them to Nepal as relief measures and support for the affected families.

The Nepali diaspora as well as the labour migrants are said to maintain a pool of funds that they usually mobilise for investments and for times of humanitarian crises. A 2016 IOM-commissioned study estimated that Nepali migrants retained savings worth USD 1 billion abroad. This "pool of money" is mainly sent for investments or occasionally for "community service projects". This money reserve acts as a buffer during times of crisis and has likely been mobilised after the onset of COVID-19 too.

According to study findings, 84% of remittance receiving households and 78% of returnee migrants reported that they send more money due to family's demand due to the crisis. As a result, the average size of remittance has also increased post-COVID-19, amongst returnee migrants to USD 4,878 from USD 4,044, while amongst remittance receiving households it increased to USD 2,917 from USD 2,500.

Bullish stock market and real estate transactions: The bullish stock market has attracted a significant number of diaspora as well as migrant workers into the stock market through friends and family members.⁵ The sole secondary market of Nepal, the Nepal Stock Exchange (NEPSE), had been in a bull run since the onset of COVID-19. After reopening of the market following the first lockdown, the market reached its all-time high (crossing the 3,198 mark) on August 18, 2021. In addition, the transaction amount increased to NPR 1,414 billion (USD 11.78 billion), which is a 291% increase. Even though there is no official figure to support that significant diaspora remittance was diverted towards the secondary market, the significant increase in the number of active users and transaction volume does signify a lot. Since the onset of COVID-19, the number of Meroshare – online account⁶ users increased from around 742,000 in FY 2019/2020 to 2.85 million at the end of FY 2020/2021, a 284.77% surge. (xxiii) Meanwhile, the number of online traders has increased by over 593% in less than a year.

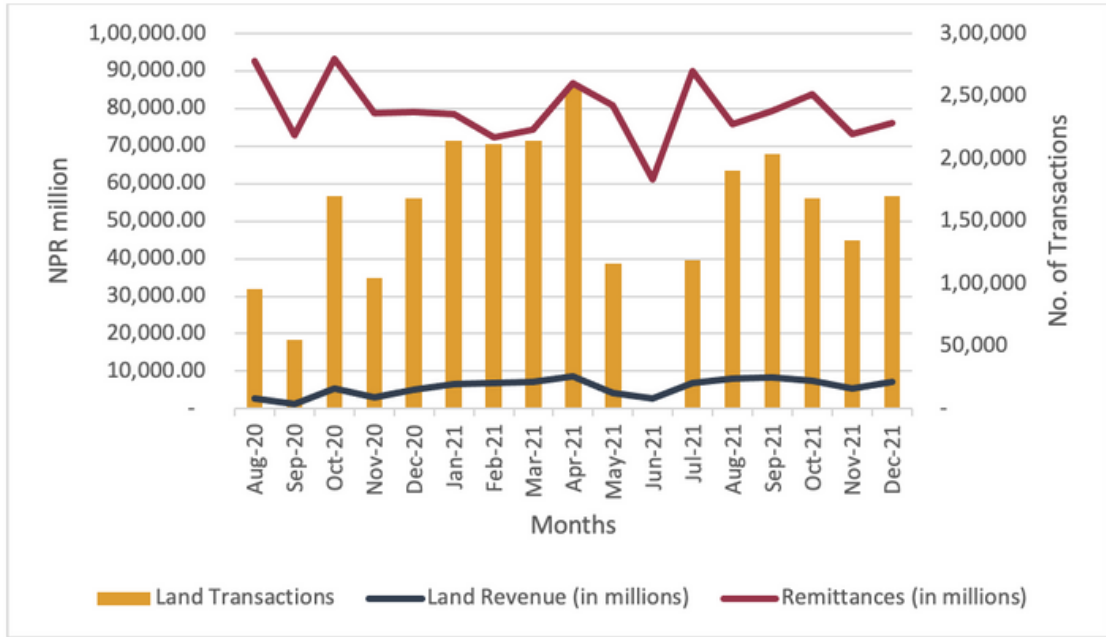
The real estate market also followed a similar pattern, with the number and value of transactions increasing in tandem with increasing remittances after the onset of COVID-19. There have also been speculations that remittances entering the country formally into BFIs are being channeled into the real estate market, causing real estate prices to skyrocket. (xxiv) With many investment avenues closed during the pandemic and an excess of liquidity, banks started offering loans at low interest rates, tempting people to invest in real estate.⁷ After the onset of COVID-19, there seemed to be a vague similarity in the trend of remittance inflows into the country and the trend of land transactions and land revenue collection. For instance, as seen in Figure 6, the number of transactions and value of the land revenue peaked in April 2021, reaching 256,750 and NPR 8,599 million (USD 71.65 million) respectively, with remittance inflows increasing to NPR 86,882 million. Furthermore, the real estate transactions slumped significantly in June 2021, when the inflow of remittances dipped to NPR 61,041 million (USD 508.67 million) and then gradually increased with the increase in remittance flows over the consecutive months.

[5] Stakeholder Consultations

[6] Online account providing details of the shares purchased, sold and a platform to participate in the primary market.

[7] Stakeholder Consultations

Figure 6: Land Transactions and Remittances



Source: Department of Land Revenue

4.1.3 Mode to remit

Shift to formal channels due to less active informal channels: Before the outbreak of the COVID-19 pandemic, a significant portion of Nepal’s remittances were channeled through informal means such as Hundi and by informal operators. As per study findings, only 30% remittance from South Korea is remitted through formal channels while around 60% if remitted formally from Oman and Kuwait. Likewise, Nepalis refrain from remitting more than USD 999 from USA due to requirement to disclose information such as social security number and source of such funds. Similarly, a mere 15 to 30% remittance from UK, Australia, India, and Malaysia are transmitted formally. Overall, on average only 30 to 40% of total remittances is said to be transferred to Nepal through formal channels. Thus, the official figures before the onset of COVID-19 did not capture the actual volume of remittances. The use of formal channels to send money increased drastically during the lockdown in the absence of informal mediums.^(xxv) For instance, in Gulf Cooperation Council (GCC) countries, agents who otherwise collected money from Nepali labourers in their camps were unable to visit them due to COVID-19 restrictions which resulted in migrant workers remitting their earnings through formal channels.⁸ Even in developed economies like the UK and Australia, where informal channels are prevalent, the adaptation of formal channels surged during the lockdown period. As a result, the recent rise in formal remittances, which would not have been caught by official statistics previously, may not be a true surge but rather the result of a change in medium to remit.

The study findings further support the trend, as the average frequency of formal

[8] Stakeholder Consultations

remittance decreased post COVID-19 to 63% from 83% amongst returnee migrants and it decreased to 72% from 96% amongst remittance receiving households. The usage of remittance companies dropped from 71% to 61% after the onset of COVID-19 amongst returnee migrants. Likewise, amongst the returnee migrants, the usage of informal channels went down, as only 6.56% reported using *Hundi* after the onset of COVID-19 which was almost 10% earlier. Similarly, the usage of banking channel also increased amongst returnee migrants as 52% indicated using banking channel to remit which was 49.5% before the onset of COVID-19.

Box Story: Current Inflow of Formal Remittances to Nepal is Far Below its Full Potential

There are different predictions and guesstimates about the actual size of total remittance (both formal and informal) to Nepal. According to Ganesh Gurung, a remittance expert, total remittances should account for around 35% of GDP.⁸ According to these estimates, Nepal's total formal remittance should be around USD 12.4 billion. Likewise, stakeholder consultations estimate the actual size of total remittance to be between USD 15 billion to 20 billion. The Confederation of Banks and Financial Institutions (CBFIN), an umbrella organisation of the chairpersons and directors of Banking and Financial Institutions (BFIs), also indicated that the total size of remittance to Nepal should be around NPR 20 trillion (equivalent to USD 16.66 billion). Due to the excessive presence of informal channels, Nepal's pie of annual formal remittance inflow has been hovering around USD 7 to 8 billion for the past five years, with a CAGR of 7.05%. Study findings indicate that only about 30% to 40% of total remittances is routed to Nepal via formal channels.

The study findings indicated that only around 30 to 40% of remittances from Malaysia is routed via formal channels. Back of the envelope calculation also indicates that only 41.2% is remitted to Nepal from Malaysia via formal channels. As per NRB data,^(xxvi) in the first four months of FY 2019/20 Nepal received remittance worth NPR 29.66 billion (USD 247 million) from Malaysia, i.e., 9.7% of total remittances to Nepal. If we annualised the figure, Nepal would have received NPR 88.98 billion (USD 741 million)¹⁰ as remittances to Nepal in the FY 2019/20 formally from Malaysia only. Now taking into consideration the total population of Nepalis

[9] Ganesh Gurung, Keynote Speech, Migration and Remittance Summit, December 2021

[10] NRB does not publish annual remittance figure country wise.

migrant workers before the onset of the pandemic, which was around 410 thousand (not considering informal ones which is additional 40 to 50 thousand) and taking the average earning of Malaysian Ringgit (MYR) 2,000 per month,¹¹ the total monthly earnings of Nepali migrant workers in Malaysia comes out to be MYR 820 million. Even if Nepali migrant workers only send on average 70%¹² of their earnings to Nepal, it would amount to MYR 574 million per month or MYR 6.88 billion per year, equivalent to NPR 212.63 billion (USD 1.77 billion).¹³ Thus, the calculation clearly indicates that Nepal only received 41.2% (NPR 88.98 billion) of potential remittances from Malaysia via formal channels, and the rest was routed via informal channels.

Significant decrease in inflow of remittance in-kind due to movement

restrictions: Prior to the onset of COVID-19, migrant workers who returned from destination countries brought remittances in the form of cash in hand and/or kind. (xxvii) Household items such as television, cameras, laptops, mobile phones, electronic appliances, gold, and other valuables constituted a large portion of formal remittances received. However, due to COVID-19 restrictions on movement and limited flights, workers were unable to bring remittances in the form of cash and in-kind – valuables. Therefore, the amount that was normally spent in purchasing such items was remitted through formal remittance channels. This not only resulted in an increase in inflow of remittances, but also enabled better capturing of remittance statistics.

According to the study findings, about 26% of the returnee migrant workers reported sending at least one item before COVID-19, which decreased to as low as 6% after the onset of COVID-19. The average value of such non-cash item before the onset of COVID-19 was USD 930 while post-COVID it has slightly gone up to USD 950. Further, about 6% and 9% of the returnee migrants and remittance receiving households respectively reported that they sent/ received more money as non-cash items could not be sent during the crisis. Even if 25% of total migrant workers send remittance in kind worth USD 930 per year, taking into consideration the total population of 2.4 million Nepalis outside Nepal, a total of USD 558 million enters Nepal annually in the form of cash or cash in kind.

Figure 7 below illustrates a comparison between remittance inflows to Nepal since the onset of COVID-19 lockdowns until December 2021, and the arrival/departure of Nepali nationals from the Tribhuvan International Airport (TIA) during the same time period. It was observed that as the arrival of Nepalis

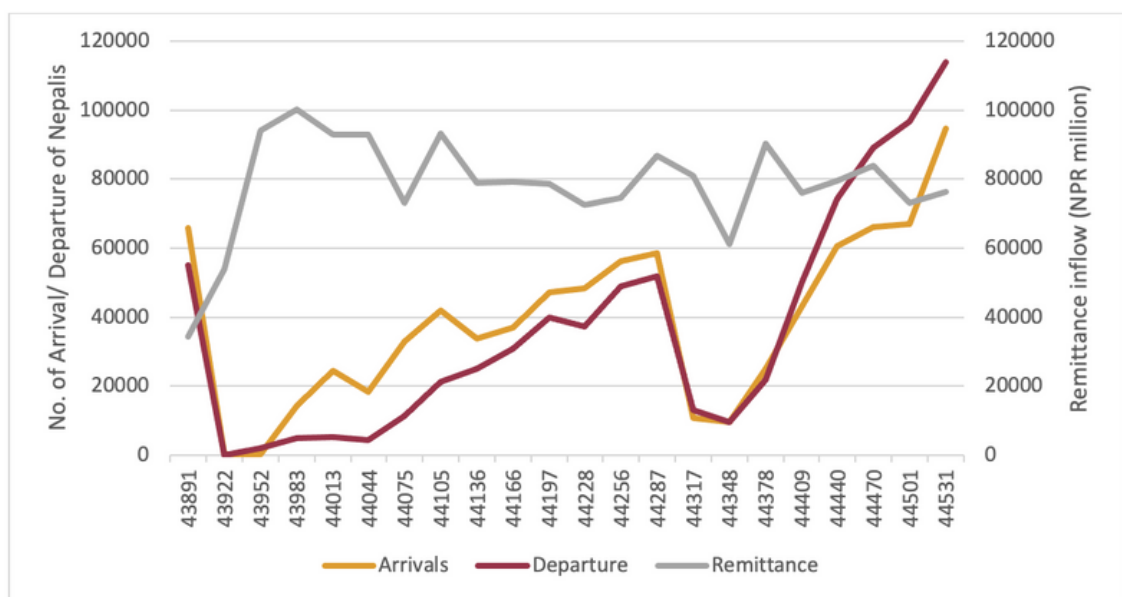
[11] Stakeholder Consultation

[12] On average Nepalis send only about 70% of their monthly earnings (Stakeholder Consultations)

[13] NPR 27.03 per MR, Taking average exchange rate for the first quarter of FY 2019/20, NRB

increased, the remittance inflows began to fall. While the number of Nepalis arriving and departing from March to May of 2020 decreased due to the temporary ban on international flights with the onset of the first wave of COVID-19, an increase in formal remittances became evident. The remittance inflows peaked to over NPR 100 billion in July 2020. When the restrictions were lifted, the number of Nepalis returning to Nepal began to increase. However, with an increase in the number of arrivals, remittances began taking a downward momentum. Remittances fell up to NPR 60 billion during the second wave of COVID-19, between April 2021 and June 2021, but saw a reversal in July 2021, reaching NPR 90 billion before continuing to fall as arrivals began to pick up to pre-COVID-19 levels.

Figure 7: Arrival and Departure Trends and Remittance Inflow



Source: Department of Immigration

Gradual uptake of digital services to remit funds to Nepal: As per stakeholder consultations, the uptake of digital mediums to remit by Nepali migrant workers and diaspora increased after the onset of COVID-19. The unavailability of informal channels as well as restrictions on physical movement resulted in many migrant workers adapting to digital mediums as they were left with no other choice to remit money. Remitters can easily send money from their local bank accounts in the host country to Nepali bank accounts or mobile wallets. Additionally, as part of their promotional campaigns to encourage more digital transfers, Nepali remittance companies are providing discounts and offers such as free top ups of NPR 100 to 200 when remitting funds digitally to mobile wallets. Similarly, banks are providing special offers such as cashbacks and discounts or waivers on service fees when remitting funds directly to bank accounts.

The NRB further requested all concerned remittance companies to start providing migrants with online services in association with the digital wallet operators. In September 2021, the NRB as per the 'Unified Directive on

on Payment System-2078' (2021) doubled the amount Nepalis could transfer daily through mobile banking, including QR code) to NPR 200,000 (USD 1,666) and NPR 2,000,000 (USD 16,666) via internet banking. In the same effort, the amount migrants can remit from a bank account to a mobile wallet has been increased to NPR 50,000 (USD 416) from NPR 25,000 (USD 208). Likewise, the remittance limit transferrable from a bank account to a mobile wallet has been increased to NPR 50,000 (USD 416). The fees applicable to banking transactions have also been modified setting the maximum amount that the financial service providers can charge. According to study findings, before the onset of COVID-19, on average 90% of remittances were immediately withdrawn via various cash points or cash-based agent delivery mechanisms. However, post the onset of COVID-19, such cash withdrawals have decreased to 70%, indicating higher retention of remittances in the banking channel (direct-to-bank account deposits) due increased use and availability of digital banking services.

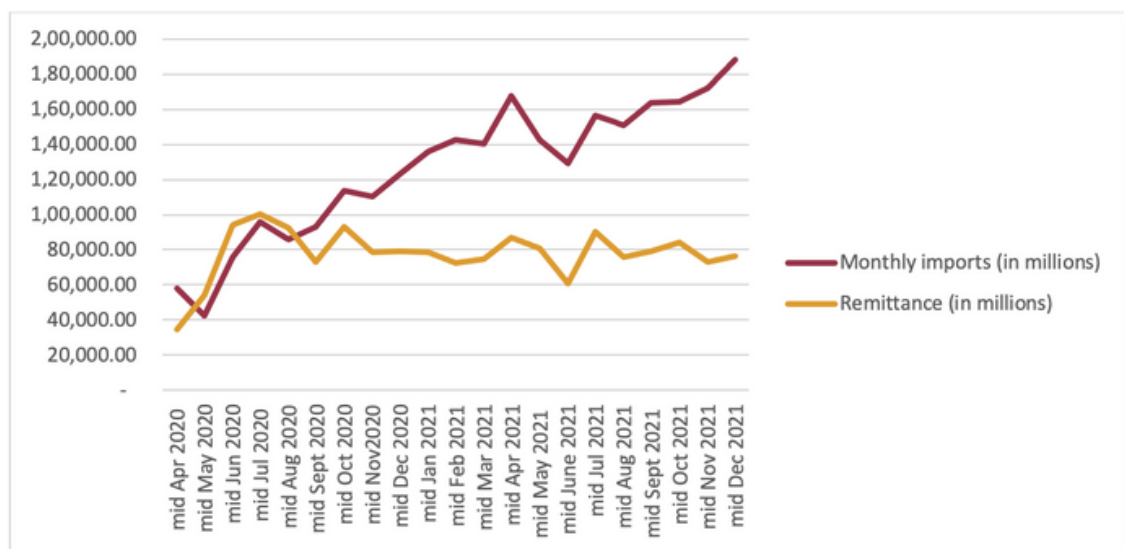
Box Story: How Adaptation of Digital Wallets can Facilitate Formal Remittances

Nepali digital wallets are collaborating with the government to allow migrant workers in the destination countries to set up Nepali mobile wallets using their local mobile numbers. This service is currently unavailable in Nepal. Bangladeshi Mobile Financial Service provider bKash, for example, allows Bangladeshi migrants the facility to remit money directly into any bKash account in Bangladesh. bKash, which has over 55 million users in Bangladesh, partnered with MoneyGram International to enable bKash wallet users to receive remittances directly into their accounts. ^(xxviii) Similarly, the Bangladeshi mobile wallet also collaborated with the Malaysian mobile wallet Mobile Money and the Malaysian fintech company Valyou for wallet-to-wallet remittance transactions. ^(xxix) Due to such facilities, Bangladeshi migrant workers extensively use mobile wallets to remit or transfer money from the destination country to their wives and children, as well as to make merchant payments such as electricity, school fees, and utilities from the destination country itself.

Lower demand for informal cash as imports drastically decreased: There is a close nexus between the flow of formal remittance and imports to Nepal. As the formal economy halted for a significant period of time due to the impacts of COVID-19, imports from Nepal decreased drastically by 15.6% in FY 2019/20, while increasing by 28.7% in FY 2020/21. ^(xxx) As indicated in Figure 8,

when imports started to pick up in August 2020, the remittance growth started to gradually become stagnant. Most formal imports to Nepal are said to be under invoiced and the remaining payment is made to the exporting party through informal channels such as Hundi. The foreign currency demand to settle the under-invoiced trade is then fulfilled using the remittance money collected from the migrant workers.¹⁴ Hence, when imports declined from Nepal, there was low demand for hard cash by informal agents (for *Hundi* operations) in the destination countries. Moreover, according to stakeholder consultations and literature review, significant imports from Nepal were being carried out to eventually either be smuggled or exported to India, and payment for such informal trade is met through informal channels. (xxx1)

Figure 8: Imports vs. Remittances



Source: Nepal Rastra Bank

Usage of formal channels by informal agents to remit unofficial money to legitimise informal earnings: When exchange rates are high, informal agents often use formal channels to remit money to Nepal. The objective is also to legitimise informal earnings of Nepalis outside Nepal, and this helps in avoiding any anti-money laundering policies. Also, study findings indicate that such funds are often laundered from Nepal to India. There are also speculations that money is being laundered from abroad in the form of remittances and injected into the Nepal Stock Exchange. (xxxii)

Box Story: Key Challenges Undermining the Flow of Formal Remittances

Service charges for formal remittance in few countries are often a key hurdle, encouraging the adaptation of informal channels:
As per the study findings, local foreign exchange companies in the destination countries are taking advantage of stiff

[14] Stakeholder Consultations

competition between Nepali remittance companies. For instance, the cost of remittance is same regardless of the size of remittance. On average, the cost of sharing service charge between local and Nepali remittance companies is either 60:40 or 80:20. This implies that the exchange company gets a higher share of the service charge as Nepali remittance companies agree to work on lower margin in anticipation for higher volume of transactions. As a result, in countries like Kuwait, there is an informal cartel of local exchanges in place that set the minimum service fee to ensure their share of income per transaction. In such situations, the remitter is obliged to pay a slightly higher amount of service fee for the transactions, leading remitters/senders to seek informal or cheaper alternatives to send money to Nepal.

Lack of trust between the migrant workers, and the government bodies and the private sector: Migrants do not tend to trust the government and private sector. This is driven by issues experienced by migrant workers around policies and permits. Lack of effective information dissemination on wages and permits, and discrimination against migrants in the migration process (especially during departure and arrival) have led to migrant workers feeling mistreated. This further prevents labour migrants from placing trust in the government and private sector's motives, driving them away from formal channels.

Poor financial literacy: Study findings suggest that a significant number of Nepali migrant workers who migrate in a low-skilled jobs especially in Malaysia, GCC countries and India have a poor financial literacy. These workers are found to be unaware of available financial products and its benefits, formal channels to remit and risks associated with informal channels. As a result, in the absence of such knowledge and information, large groups of migrant workers are easily lured toward informal channels to remit money based on group herd mentality. Further, stakeholders indicate that even though the government has made it mandatory for workers to open bank accounts before going abroad, its implementation on the ground has been questionable. The majority of migrant workers do not have any formal bank accounts, and many even struggles to fill forms or provide necessary information at the destination.

Lack of innovative products and services to cater to the needs of migrant workers: Nepali financial institutions only offer homogenous savings and credit products which have similar

features and benefits. ^(xxxiii) This further highlights the problem of lack of innovation in product development to devise products catering to the needs of the migrant workers and their dependent family members. As a result, significant remittance stays with banks for a short time as it is often withdrawn by the recipient immediately. So far, the government via the NRB has directed financial institutions to provide additional 1% interest on fixed deposits where the source of fund is remittance. It has also introduced a concessional credit program which caters to returnee migrants at lower interest rates. Apart from these measures, there is lack of other targeted products to attract formal remittances and retention of remittances in the banking channel.

Better exchange rates offered by informal channels are luring remitters: Due to the attractive exchange rates offered by the informal agents, receivers are willing to take the risk of using informal channels. While commission rates or service charges for remitting money via formal channels are not that high in most countries, the exchange rates offered by informal agents/channels are much higher than the ones provided by the formal exchanges. Furthermore, the remitter does not need to pay any minimal service fee while using informal channels. The study found that the receiver of remittance routed from Australia using formal channel gets around NPR 87 to 88 per AUD, whereas informal channels provide the receiver around NPR 91 to 92 per AUD, the difference of NPR 5 per AUD. Likewise, remitting via formal channels from Malaysia, the receiver gets NPR 28 per Malaysian Ringgit, while informal channels pay NPR 29 per Malaysian ringgit.

4.2. Why remittances dropped in recent months of the current Fiscal year.

Decreasing Remittances since the Beginning of the Current FY 2021/22: According to the NRB's report on the current macroeconomic and financial situation of Nepal for the first eight months of the current FY 2021/22, the country's remittance inflow has been dismal. Compared to the same period last FY, in USD terms, remittances inflow declined by 3.0% to USD 5.28 billion compared to a 5% increase over the same period. While Nepal recorded an all-time high in remittance inflow of USD 8.15 billion in the FY 2020/21, the number of migrant workers going abroad decreased to 166,698, a 16-year low.¹⁵ This shows that, despite the heavy repercussions of the COVID-19, the remittance inflow increased significantly in the previous FY. Nonetheless,

[15] DoFE Labour Permit Statistics

moving forward the significant drop in the outflow of migrant workers in the past couple of years aggregated by COVID-19 is going to have a lag effect in the total remittance inflows in Nepal.

Downfall of remittances can have large macroeconomic impact: According to the World Bank, in a hypothetical scenario of a 10% drop in remittances, the growth in Nepal could drop by up to 3 percentage points compared to the baseline forecast. Given that a 10% drop in remittances is equal to 3 percentage points of GDP, such slowdown would affect incomes, and in turn consumption as well as GDP, in a commensurate amount. ^(xxxiv)

Negative BOP position and acute liquidity crisis: As a result of deceleration in formal remittances and rising imports, the banking system is currently witnessing acute shortage of loanable funds since the beginning of the current FY 2021/22.

As per the government data, merchandise imports have increased by 38.6% in the first eight months of the FY 2021/22 compared to an increase of 2.1% in the same period of previous FY. Despite a 82.9% increase in merchandise exports in the first eight months, balance of payments remained at a deficit of NPR 258.64 billion (USD 2.17 billion) in the eight months review period, compared to a surplus of NPR 68.01 billion (USD 565.8 million) in the same period of the previous FY. ^(xxxv) Gross foreign exchange reserves also decreased by 16.3% in the first eight months. ^(xxxvi) This resulted in a decline in foreign reserves and reduced the tax revenue generation in the country. At the end of first eight months, the foreign reserve of the banking sector is sufficient to cover the prospective merchandise and service imports of 6.7 months only.

Based on the study findings, some of the major reasons for the current downfall of remittances are outlined below:

Lag effect on remittances: With the travel restrictions imposed to curb the spread of COVID-19, which also led to a halt in issuance of labour permits, Nepalis aspiring to go abroad were unable to go. At the same time, thousands of Nepali migrant workers returned home from destination countries after travel restrictions were eased. This understandably decreased the total population of migrants abroad. Figure 9 depicts the monthly labour permits issuance numbers since March 2020, the beginning of the COVID-19. The issuance of labour permits, which was halted since the beginning of the lockdowns, started picking pace after October 2020. However, labour permit issuance fell again in April 2021 when the second wave of COVID-19 began. After significant drop in June 2021, the number of labour permits issued began to rise again. Only 72,081 labour permits were issued from April 2020 Mid-July 2021. As per the consultations with remittance and migration industry stakeholders, the dip

seen in remittances in the first eight months of FY 2021/22 is a lag effect of the total population of migrants not being replenished for over the past two years. While the outflow of labour migrants has picked up since the beginning of the current FY 2021/22 wherein over 261,000 have received labour permits,¹⁶ the existing issues surrounding labour permits and host county specific policy to curb foreign migrant workers is likely to slow down migrant outflow in the coming days.

Figure 9: Monthly Labour Permit Issuance since March 2020



Source: Department of Foreign Employment

Increased use of informal channels after the ease of lockdown measures:

Consultations with the stakeholders outside Nepal indicate that as lockdown and mobility measures have been eased around the world, the informal channels and agent networks have also re-activated and have started resuming their activities. Likewise, these informal channels are luring remitters with attractive exchange rates compared to formal ones without any service fee. Moreover, the informal channels are speculated to be using formal banking and payment channels in Nepal to transfer amounts in the remittance recipients' accounts.

Box Story: Understanding Informal Remittances Flow

Remittance sent via informal channels (*Hundi*) never formally enter Nepal, but remittance receivers are being paid via formal channels in Nepal: Informal agents (*Hundi* agents) collect cash from senders (remitters) in the destination countries and send receivers' details to informal agents in Nepal. It is also believed that some remittance companies and informal agents may be working

[16] DoFE Labour Permit Statistics

together to facilitate such informal transactions through the domestic remittance window.¹⁷ At the recent Remittance and Migration Summit 2022,¹⁸ the NRB governor also indicated that the NRB has learned about such malpractices and are conducting an internal study to investigate the matter. In addition, it is claimed that this medium is helping in the legalisation of informal money in the domestic economy. After the informal agents send the receivers details to the local agents in Nepal, local agents are said to be executing the transaction in following way:

- The local agent in Nepal, upon receiving the details of the receivers, creates a PIN code and shares it with agents in the destination country, who then share the PIN with the remitter. The remitter shares the PIN code with the receiver to withdraw cash from the various agent outlets. Once the PIN code is matched, a domestic remittance transaction for the specified amount is created using a fake ID to execute the transaction in Nepal. The receiver would believe that they received remittance formally from their family member abroad. However, that is not the case because the sender is anonymous/a fake ID. To tackle such malpractices, the NRB has recently decreased the domestic transaction limit to NPR 25,000 (USD 208) from NPR 100,000 (USD 833).^(xxxvii)
- As per the instructions from agents in the destination country, the local agents in Nepal directly deposit the desired amount into the receiver's bank account or mobile wallets using digital banking or mobile wallet accounts.

Remitters using formal channels, but such funds are not entering Nepal: As per stakeholder consultations, there are various local legal remittance companies^(xxxviii) operating in different countries that collect remittances formally from Nepali diaspora/migrant workers. However, the fund is not remitted to Nepal, instead, the money is paid to the beneficiary or the receiver in Nepal from domestic sources.^(xxxix)

Significant increase in the inflow of Nepali Workers, as lockdown measures eased, carry cash and cash in-kind valuables: As travel restrictions eased and international flights resumed since the reduction in COVID-19 cases, the number of Nepali migrant workers bringing cash and

[17] Stakeholder Consultations

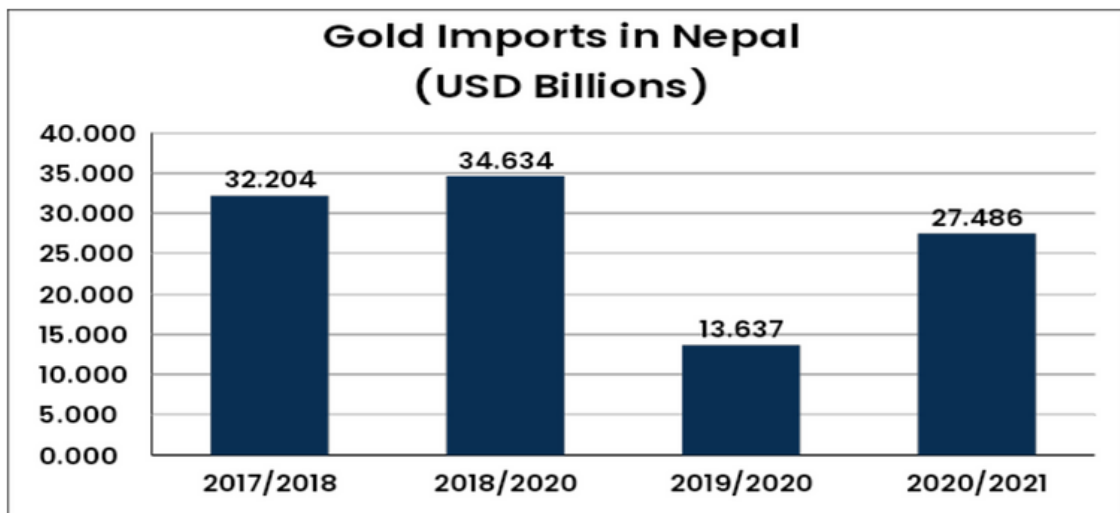
[18] Governor, Panelist, Kantipur Migration and Remittance Summit, January 2022

cash in-kind also increased. As per the data, Over 732,000 Nepalis have Entered Nepal since the Country Reopened its Borders till December 2021.

Increasing imports limiting growth of formal remittances: Recent data have shown that Nepal has seen an exponential growth in imports as lockdown measures have eased. In the first eight months of FY 2021/22, imports grew by 38.6% to NPR 1.30, compared to an increase of 2.1% in the same period of FY 2020/21.^(xI) The study findings indicates that there is a close nexus between imports and the flow of formal remittances to Nepal. With ease of mobility measures, it is said that informal agents are actively collecting cash in the destination country to meet the demand of foreign currency to pay the under-invoiced imports made from Nepal.

Increasing demand for gold limiting flow of formal remittances: Increasing demand of gold in the domestic market, fueled by remittances and smuggling of gold into India, has resulted in a significant demand for gold in the local market. The onset of COVID-19 disrupted the wedding season in the past two years. Weddings that were cancelled or postponed have been taking place in the current year, boosting demand for gold jewelry. According to gold jewelers, the demand for gold in the local market has skyrocketed despite the inflated prices. Beginning in April 2021, the government raised the daily gold import limit for banks from 10 kg to 20 kg. However, according to the Federation of Nepal Gold and Silver Dealers Association, the daily demand reaches 40 kg during the wedding season, while the normal market demand stands at 25 kg per day. As a result, the gap in the demand was being filled by the gold brought back by Nepalis returning from abroad as travel restrictions have eased. Thus, it is estimated that a large portion of remittances is being used to import gold, causing formal remittances to decrease. Moreover, with ease of lockdown measures, there has been an increasing tendency of smuggling gold to India through Nepal.

Figure 9: Gold Imports in Nepal



Source: The NRB, Current Macroeconomic and Financial Situation Report

Due to COVID-19, gold imports in Nepal decreased by 60.62% in FY 2019/20. In contrast, gold imports increased by 101.54% in FY 2020/21, rising from NPR 13.637 billion (USD 113.64 million) in FY 2019/20 to NPR 27.485 billion (USD 229 million) in FY 2020/21.

Gold bullion smuggling plays a major role in the drop in formal remittances. The smuggling process forms a part of the *hawala* system, which provides customers gold at a price that does not include customs duty in Nepal. Returnee migrant workers had been lured into participating in illegal practices by Nepali and Indian racketeers with guarantees of high returns. The study findings indicate that significant volume of such gold is even smuggled to India. While the threshold for gold jewelry allowed to be brought is only 50 gm per person, people were caught bringing up to 200 gm of gold jewelry. The Tribhuvan International Airport's customs office collected NPR 10 million (USD 83,333) as taxes from 13 kg of gold alone.¹⁹ As per government authorities, racketeers were paying migrant workers to smuggle gold into the country. The Department of Customs has issued a notice urging people returning from abroad to refrain from bringing gold, alcohol, laptops, televisions, and other commodities excess of the prescribed limits. Import of such items beyond the allowed limit entails payments of customs duty or seizure of the items.^(xli) The details on various measures undertaken by Nepal government to attract formal remittances, control illegal transactions, and preserve foreign currency reserve is available in Annex 6.

Rise in demand of foreign currency by Nepalis for various reasons:

Although there is no official data to support the trend, the study findings indicate that there is an increasing demand for foreign currency by Nepalis both residing inside and outside the country for making investments in virtual currency/crypto currency. Articles published in the national dailies also support the study findings which indicate that a significant amount of foreign currency is being diverted towards crypto transactions from Nepal. The central bank has published a public notice restricting such investments by Nepalis regardless of where they live. Despite policies being introduced by the NRB to curb the outflow of foreign currency, there is still an increasing demand for foreign currency from Nepalis for travel and leisure purposes, investments, payments for medical and educational institutions among others, which is likely to further impact inward formal remittances in the coming days.

Box Story: Formal Remittance Surge in Bangladesh, Pakistan, and Philippines

By the end of 2020, formal remittances in Bangladesh, Pakistan and Philippines saw a surge, defying initial predictions. Financial

[19] Department of Customs, December 2021

incentives announced by these countries coupled with digital innovations were key factors that encouraged migrant workers to send remittances through formal channels.²⁰ In order to offset the high costs of sending remittances and encourage formal channel usage, Bangladesh Bank, the central bank of Bangladesh offers a cash incentive of 2.5% to Bangladeshi migrants who send money directly into bank accounts.²¹ The KYC rules also have been loosened to allow Bangladeshi migrants to remit amounts up to Tk 500,000 (USD 5,800) without requiring documentation.²² Bangladesh's mobile wallet bKash partnered with MoneyGram to send remittances from Bangladeshi migrants directly to their bKash accounts while also partnering with block chain payment provider Ripple and Malaysian mobile wallet Mobile Money for wallet to wallet remittance transactions.²³

In order to boost formal remittances in Pakistan, the State Bank of Pakistan (SBP) waived all charges for migrant workers using online remittance transfer services to send home money.²⁴ Pakistan's Federal Board of Revenue (FRB) lowered the limit of foreign remittance submitted to source scrutiny (for questioning the source) to PKR 5 million (USD 28,000) per year from the previous level of PKR 10 million (USD 56,000).²⁵ Likewise, incentive program such as Sohni Dharti was designed to incentivise non-resident Pakistanis to use formal channels to remit money to Pakistan.²⁶ Pakistan's initiatives to improve formal remittances also includes increased licensing of mobile payment operators and mwallet schemes, improved domestic settlement systems, prepaid Pakistan Remittance Initiative cards, etc. Likewise, SBP's Roshan Digital account enables Non-resident Pakistanis to open bank accounts from anywhere in the world and allows them to deposit money, make payments as well as investments from abroad.²⁷

In the Philippines, the central bank was actively engaged in promoting digital remittances by introducing the Philippine Electronic Fund Transfer System, PESONet, and InstaPay. The central bank waived charges for digital transactions through the Philippine Payment and Fund Transfer system. InstaPay allows transactions

[20] World Bank. Six reasons Why Remittances Soared in South Asia During COVID-19. World Bank Blogs. (2021).

[21] The Daily Star. Cash Incentive Remittance Increased to 2.5%: Finance Minister. Star Business Report. (2022).

[22] The Business Standard. Incentive raised to 2.5% to boost remittance inflow. TBS Report. (2021).

[23] ibid

[24] State Bank of Pakistan. National Payment Systems Strategy. Road to Digital Payments. (2019).

[25] Irshad Ansari. "On withdrawal: FRB to waive withholding tax on remittances". The Express Tribune. (2019).

[26] Sohni Dharti Remittance Program. (n.d.)

[27] Asian Development Bank. Harnessing Digitization for Remittances in Asia and the Pacific. ADB Publications. (2021).

up to 50,000 Pesos (USD 975), while PESONet facilitates higher amounts, both of which credit the remittance transactions on the same day. Users of these platforms surged during the pandemic with the total value of transactions through InstaPay and POSENet rising by 400% and 100% year-on-year respectively. Likewise, several banks also waived fees for users of these services, encouraging formal remittance inflows.²⁸

4.3 Why Migration will Continue, Remittance will Rebound

In Nepal, migration will not reduce dramatically till jobs are created within the country. Currently, not enough jobs are being created in Nepal. The paucity of jobs and opportunities can be explained with the fact that for 17 thousand teaching job openings, there were more than 220 thousand applicants,^(xlii) which is more than 12 times the number of vacancies. There are half a million people entering the job market each year and the total job creation in Nepal is around 50,000.^(xliii) This implies that there are 450,000 people ready to look for options outside Nepal each year. As per the study findings, 80% of aspiring migrant workers revealed unemployment in Nepal as a major reason for their decision to migrate. In 2020, over one million Nepalis applied for the Diversity Visa program of the US.^(xliv) The youth population in Nepal (aged 20-39) in Nepal is around 9 million.^(xlv) This means that out of every nine youths in the 18-to-40-year category, one is applying for the Diversity Visa. Similarly, in 2019, over 92,000 Nepali youth took the Test of Proficiency in Korean (ToPiK),^(xlvi) implying that a large number of Nepalis are attempting to seek employment in Korean. Therefore, as long as there are not enough jobs in Nepal, Nepali people are going to continue to migrate to foreign countries for employment.

Second, migration remains not only an economic opening. Peer pressure, societal circumstances and the search for individual space continues to push people to explore all possible opportunities.^(xlvii) As per the study findings, social pressures at home (21%), suggestions/pressure from friends and families to work abroad (23%), and higher wage (46%) are major reasons for migration. Migration of women in Nepal is mostly influenced by household economic factors such as marital issues, gender discrimination, improving children's future, and servicing debts at home.^(xlviii) The rise of migration of educated women will continue as they strive to escape from societal conservatism. As per the DoFE, over 176,000 women have received labour permits since 2008 to go to labour destinations such as the UAE, Kuwait, Malaysia, Qatar, Saudi Arabia, Lebanon, Cyprus, and Jordan. The government's decision on migration of women will be detrimental to the

[28] *ibid.*

number of female labour migrants. Female migration might increase if the government were to ease the restrictions and create an enabling environment for migration of women workers, which might further increase Nepal's remittance. For instance, as revealed in the discussions in Kuwait, if the government of Nepal were to ease restrictions on female migration, there are 20,000 jobs that can be availed to Nepali women. Assuming each of them send USD 300 per person, per month, this would be an additional USD 72 million remittances per year.

The demand for labour migrants from Nepal seems unlikely to reduce in the major destination countries. For instance, the number of jobs was estimated to reduce in Qatar after the completion of the construction of the airport. However, according to stakeholder consultations, Nepalis have become the highest number of people working at the airport. Similarly, new cities are being built in Saudi Arabia and other GCC countries, ^(xlix) which is estimated to create more than a million jobs. Furthermore, developed countries will keep looking for younger workers as their population ages, such as in Japan, where the country has opened the farming sector for foreign workers. Similarly, while China has a large population, its population is ageing, and by 2050, its average age will be 48.⁽ⁱ⁾ Therefore, as immediate neighbor, China will also emerge as a destination for temporary work. Similarly, knowledge workers are finding opportunities in countries in Africa and new destinations like Poland are trending. In 2019, 9,200 work permits were issued to Nepalis that applied to work in Poland.⁽ⁱⁱ⁾ Currently, Poland has more than 3,000 Nepalis, which is a significant increase from only 95 Nepalis living in the country with residence permit in 2007.⁽ⁱⁱⁱ⁾ These trends indicate growing markets for Nepali migrant workers, which will potentially result in increase in remittances.

Fourth, Nepalis who go out to study are also sending back remittances, especially during the pandemic like COVID-19. For instance, in Australia, because of the high demand for workers in the retail sector and a labour shortage, the hourly wage rate was increases and students on student visa were allowed to work full time. This increased the total earnings of Nepali students in Australia, allowing them to send back much more in form of cash or goods. Similarly, according to discussions with people in the destination countries, there are other popular destinations like Cyprus and Seychelles where apart from going on work visas, Nepali students go on a student visa with the objective of working and staying for a longer period of time. In 2019, over 2,300 Nepalis left for Cyprus on a student visa.²⁹ Between July 17, 2018, and the end of 2019, 85,758 NOC letters were issued by the MoE.³⁰ Assuming this trend continues till 2030, another 800,000 students are going to go abroad and even if half of them decide to stay it adds up to 400,000. These students will be in the skilled worker category, therefore, sending larger per capita remittances.

[29] Ministry of Education, Science and Technology. (2020).

[30] *ibid*

Fifth, the number of Nepalis settling down in different countries have increased dramatically in different parts of the world. In the US, while there were just 9,000 Nepalis recorded in data in 2000, by 2020, this has increased to 200,000.⁽ⁱⁱⁱ⁾

From 2010 to 2019, the year-over-year growth rate of total number of Nepalis in the USA was 14%. If the same trend continues, the number of Nepalis in the United States will be around 735,000 in 2030. Similarly, in the UK, the total resident population increased from 27,200 in 2010 to 131,830 in 2021. This is a year-over-year growth rate of 17%. If the same trend continues, the total Nepali resident population will be around 635,000 by 2030. Extrapolating similar data, the total British and non-British Nepalis in UK have a y-o-y growth rate of 4%. Using this trend, the total British and non-British Nepalis in UK will reach 80,000. If we use the data of the USA, UK, and Australia, there will be a total of around 1.5 million Nepalis in these three countries alone by 2030. Assuming 30% of the migrants in these countries send back around USD 500 per month, the total annual remittance inflow from these three countries will be USD 2.7 billion by 2030. Similarly, if 50% of the migrants in these countries send back around USD 500 per month, the total annual remittance inflow from these three countries will be USD 4.5 billion.

Sixth, remittances will continue to flow to Nepal as the money is used for additional social protection expenses especially health and education of extended family members. According to the NRB, land prices in Nepal increase at an average of 26.45%.^(iv) Therefore, even if one takes a depreciation of 5% on the currency, the yield of around 20% is still very attractive for people to send back money. The increase in the activities in the Nepal Stock Exchange and the ease of completing transactions electronically has also led to people investing in Nepali stock market. Even when we look at a country like Bhutan, where migration is very low, the 2021 remittance income in Bhutan was equal to around half of tourism earnings of 2019 that speaks volumes of how people send money for social protection.^(iv) Based on above assessment, the migration is likely to pick-up with ease in movement and as economies thrive to recover thus remittance in the long run is likely to rebound strongly.

5. Conclusion

Contrary to the predictions, at the start of COVID-19, remittances to Nepal remained somewhat resilient in FY 2019/20 and FY 2020/21. On ground, the unprecedented impacts of the COVID-19 global pandemic did affect the overall inward remittances (both formal and informal) to Nepal and outflow of Nepali migrant workers.

Although the impact on the incomes of the Nepali migrant workers were lower than anticipated, the earnings of large numbers of migrant workers were impacted for at least two and a half months during the peak lockdown periods when the measures were stringent in most destination countries. While overall job losses among migrant workers have been lower than anticipated, about half a million Nepalis have returned since the onset of COVID-19 for various reasons. Against the backdrop of the study findings, overall remittance (both formal and informal) did fall after the COVID-19 outbreak. However, figures on formal remittances remained resilient, primarily due to two reasons; (i) The majority of the migrant workers continued to send remittances despite the impact on their earnings, and (ii) Shift of remittance transfer modes.

Study findings indicated that the frequency of the remittances decreased after the onset of COVID-19, but the overall value (size) of remittances increased. This is because many migrant workers have mobilised their savings at the destination countries to support their family members in Nepal. Almost a quarter of the returnee migrant workers remitted higher amounts of money after the onset of COVID-19, while a third of them remitted the same amount as before. Factors such as – declining consumption and outstanding savings in the destination country were the two primary reasons for the consistency and increase in the amount remitted. Nearly 72% of the returnee migrants were able to remit more money due to their savings at the CoD. Nepali migrant workers on average save up to 30% of their earnings in the destination country. Additionally, it is evident that during crises (like the Gorkha Earthquake of 2015), Nepali migrant workers and diaspora tend to send more money to support their family dealing with the crisis, a phenomenon known as counter-cyclical of remittances.

The COVID-19 outbreak has contributed somewhat to the flow of remittances via formal channels. Under normal circumstances, a significant portion of remittances are routed to Nepal via informal channels such as *Hundi* and through informal operators. A significant number of diaspora/migrant workers who would normally use informal channels to remit had to use formal channels due to lack of options, as informal agents and networks were not active due to COVID-19 induced mobility restrictions. Furthermore, formal remittance

figures increased as transfers of remittances in kind were completely halted due to the grounding of international flights. Prior to COVID-19, returnee migrant workers brought cash and cash-in-kind (gold, household appliances, laptops, cameras, mobile phones). Otherwise, these items and cash would have been sent through formal or informal channels as remittances or via other returnee migrants.

On a positive note, the usage of digital mediums for remittances was noticeably high during the lockdown period, which led to a shift in transfer of remittances through formal. This shift was further aided by the Nepali remittance companies and banks that promoted digital fund transfer services with benefits such as cashbacks and discounts/waivers on service fees. Consequently, these developments indicate a slight shift towards the adoption of formal channels, however, the study findings do not confirm the complete shift from the informal to formal channels. Therefore, this will likely impact formal remittances figures in the days ahead.

As COVID-19-related restrictions have eased, remittance inflows through formal channels have started experiencing a downward trend since the start of FY 2021/22 and is expected to further decline as informal channels have resumed operations. Furthermore, the dip seen in remittances in the first eight months of the current FY 2021/22 is a lag effect of the total population of migrants not being replenished for over the past two year. Since only 72,081 labour permits were issued from April 2020 Mid-July 2021, and significant number of migrant workers have returned since, the dip in remittances is becoming significant. Thus, this gap will continue to impact remittances in the coming days until an adequate replenishment of migrant workers takes place.

Even though the demand for Nepali migrant workers still remains strong in major countries within the GCC, a large concentration of migrant workers in the GCC countries and Malaysia pose a threat for employment opportunities in these countries and inflow of remittances to Nepal. These nations account for 90% ^(Ivi) of migration outflow and 60% ^(Ivii) of remittance inflow to the country. Thus, any disruptions on demand of foreign workers, especially on low-skilled category from these countries entail high risk to Nepal and flow of remittances as majority of the migrant workers are unskilled (54.81%) or semi-skilled (27.13%). ^(Iviii) For instance, Saudi Arabia's "Saudization" policy, a plan to reduce unemployment among Saudi nationals, for which it has plans to incentivise companies to increase the number of Saudi workers, is likely to reduce employment opportunities for high-skilled Nepali workers in the country. Likewise, Malaysia, a major destination, especially for low skilled Nepali workers seems concerning. Malaysia's "Malaysianization" policy adopted to reduce its need for foreign labour and help provide opportunities for locals first might further slowdown the already dampening migration of Nepali workers to Malaysia in the future. Additionally, Malaysia is yet to open

its border to foreign workers. This may exert additional pressure on Nepal's foreign employment opportunities in the GCC countries as labour supply to these countries might quickly outpace demand, eventually reducing Nepal's bargaining power and positioning, thus potentially affecting the average earnings, and limiting employment opportunities.

Apart from the GCC countries and Malaysia, India, which remains the default choice for many Nepali migrant workers who cannot afford to migrate to other destinations provides a renewed hope. As the Indian economy move towards a positive trajectory, in terms of both employment opportunity and inward remittances to Nepal, India will continue to be a key country in the short- to near term for Nepal (Detailed analysis of Migration and Remittance trend to India is available in **Annex 5**).

Migration is likely to continue as the demand for Nepali migrant workers in the major destination countries has not significantly gone down and is expected to rise in the near to mid-term. Further, Nepalis due to various economic and social reasons are likely to continue to migrate, and the population of the Nepali diaspora abroad is expected to increase in the future. The labor permits issued in the first eight months of the current fiscal year suggests that the annual figure for the current fiscal year is likely to return to pre-COVID-19 levels, suggesting a strong rebound of outbound migration after the hiatus of two years, which is likely to improve the remittances in the days ahead. Nonetheless, policy changes in the host countries that might eventually push employment opportunities to local citizens and shift of labour demand to slightly higher skilled workers indicate some early signals of diluting demand for foreign workers including Nepalis.

Apart from slowdown of outbound migration, extensive usage of informal channels to remit has also dampened the growth of formal remittances to Nepal. A key challenge awaits is shifting remittances from informal channels to formal channels. The true size of remittances, which includes both formal and informal flows, is believed to be larger than the officially reported data. Though the extent of the impact of COVID-19 on informal flows is unclear so far. Moreover, sending money through informal agents and channels remains highly popular among both migrant workers and the diaspora population. In addition, the current formal structure does not offer any adequate incentive or reward for the use of formal channels to offset the benefits offered by the informal channels.

Without adequate recognition and reward, there has been a trust deficit between the government, the private sector, and the migrant workers. This situation has led to a lack of motivation to adopt formal remittance channels or to save/retain remittances in formal banking channels. Further, as significant number of low skilled migrant workers lack adequate knowledge about formal

financial products, its usage, and benefits, it has further limited the use of formal channels. Finally, the banking system currently lacks adequate long-term savings, credit, and investment products that meet the needs of migrant workers, aspiring migrant workers and remittance receiving households. Thus, both the government and the private sector should identify these gaps and recognise opportunities to devise mechanisms, products and services that promote long-term savings and investments. This would eventually increase the adoption of formal channels, leading to higher savings mobilization and long-term productive investments.

Box Story: Common Learning for South Asia Region

The pandemic has highlighted the risks associated with labour migration in South Asia due to its high geographic concentration in the Gulf Cooperation Council (GCC) member states. The primary destination for South Asian migrant workers is the Gulf countries. A closer look at the inflow of remittances during the pandemic seems to show that the market for unskilled workers will be dominated by Pakistan and Bangladesh, while semi-skilled and skilled migrants from India, Sri-Lanka and Nepal will be exposed to fierce competition from other sending countries outside South Asia. Therefore, one of the major challenges that countries in South Asian region need to address is the mismatch in skill demand and supply by upskilling the migrant workers. Upskilling of the migrant workers can be done by creating and deploying training programs in sectors such as data analysis, digital literacy, language skills, and more. This will enable migrant workers to obtain the skills required to take up high skilled jobs and be more competitive for the available jobs compared to the migrant workers from other regions. In addition, upskilling of labour migrants from low-skilled jobs to middle/high skilled jobs will result in increase in wages, and hence will increase the value of remittances sent per migrant worker.

Other challenges faced by migrants from the South Asian region include exploitation and unfair negotiation on wages. South Asian migrants are vulnerable to exploitations since a majority of South Asian migrants work with a fixed-term contract, where the private sector manages most of the recruitment and the state agencies do not play a big role.^(ix) This leads to many migrants being exploited during the process of recruitment and during employment, due to which migrants are left with debt that they repay for years. To avoid exploitations, there should be bilateral labour agreements such as employment treaties, labour agreements, and recruitment treaties between countries in the South Asian regions and other destination

countries. These kinds of initiatives will protect migrant workers' rights and allow them to earn a fair wage.

Similarly, the cost of remittance to the South Asian region is very high, due to which migrant workers are reluctant to use formal channels to send remittances. For Nepal, the average cost of remitting up to USD 200 is 4.3%, while the cost of remitting up to USD 500 is 2.9%.^(ix) For the South Asian region, the average cost of remitting is 4.6%.^(ixi) Since a majority of migrant workers from the South Asian region are low skilled workers, they are sensitive to small difference in the costs when sending back remittances. Sending remittances to South Asia through official channels is much more expensive compared to the informal channels. Therefore, due to the hefty transaction and service costs when sending remittances through formal channels, many migrant workers from the South Asian region choose to send remittances through informal channels such as *Hundi*. During the COVID-19 pandemic, the uptake of formal channels increased because services such as *Hundi* were not available due to disruption in mobility caused by lockdowns. This led to an increase in the total inflow of remittances. However, as soon as the lockdowns eased, the uptake of informal channels increased again, leading to a decrease in the inflow of remittances. Therefore, for countries in the South Asian region, where a majority of migrant workers leave the country as middle to low skilled workers, it is important to reduce the cost of sending remittances to encourage use of formal channels.

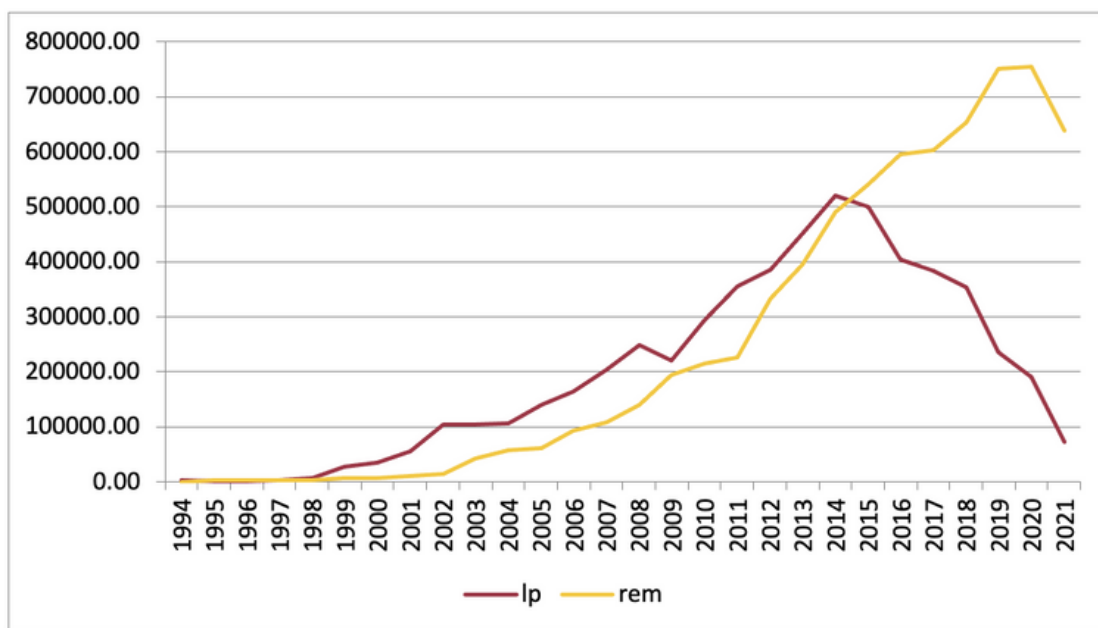
Similarly, the South Asian region should create favorable environment to incentivise investments from non-resident citizens. Most of the South Asian government have introduced investment instruments for non-residents, but most of these instruments have failed to attract investments so far. Investments can be made attractive through outreach programs to generate awareness on the available instruments and the ways the migrant workers can approach them. Similarly, the government should do a proper market research on making such instruments attractive to non-residents. For example, the government should make sure that the government bonds provide a higher interest rate and a higher return on investment than fixed deposit accounts. These initiatives will increase remittance inflows through formal channels and will increase investments in the productive sector.

6. Outlook

Analysis of recent formal remittance figures suggest COVID-19 has had a substantial impact on remittances to Nepal. The formal remittances (in USD) to Nepal which grew at a compound annual growth rate (CAGR) of 7.05% before the onset of COVID-19 between FY 2013/14 to FY 2018/19, have only grown at a CAGR of 2.28% in the past two FYs, since the outbreak of COVID-19. Taking the pre-COVID-19 growth rate, remittances to Nepal would have increased to USD 9.56 billion by the end of current FY 2021/22. However, based on current year's growth trajectory,³¹ it appears that total remittance to Nepal will be limited to USD 7.68 billion by the end of the current FY.

Understanding the labour trend is critical for projecting the trajectory of remittances. Historical data from Nepal shows a close link between the number of labour permits issued and the amount of money sent home. Figure 11 depicts a significant relationship between the two, as seen by their motions and correlation coefficient (0.66).

Figure 11: Trends of Labour Permits and Remittance Inflow

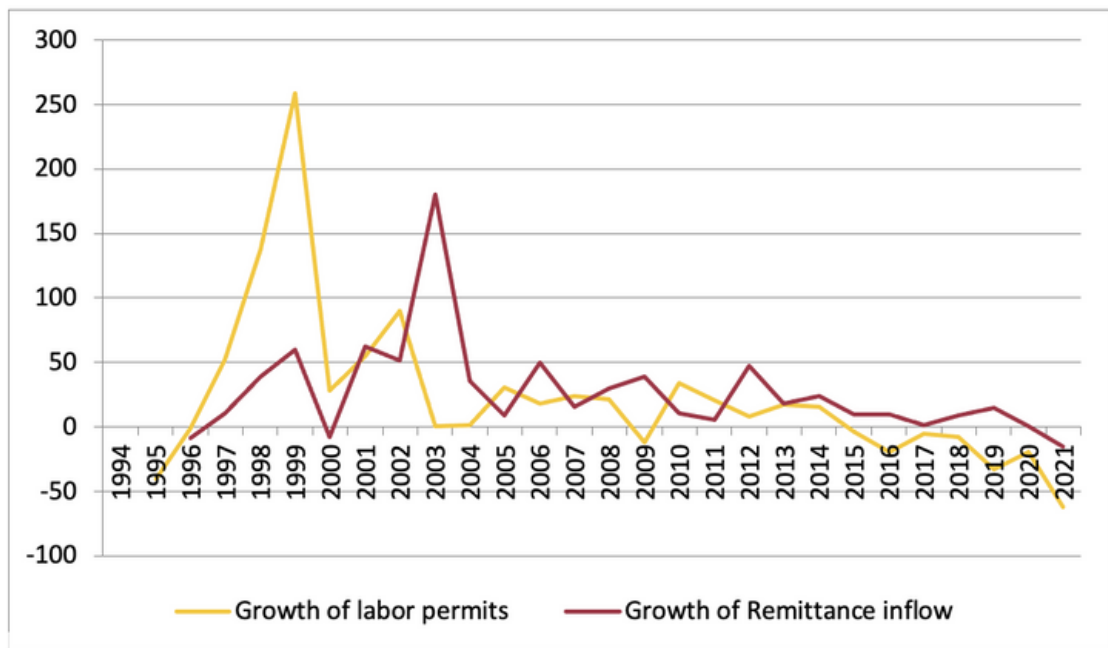


Source: Nepal Rastra Bank & Department of Foreign Employment

However, there is an apparent lag in their trends. The year-to-year growth pattern of remittances and labour permits also reveal a lag (Figure 12). More specifically, the figure suggests that current level of remittances is not only dependent on the number of labour permits issued in the same year, but also depends on the labour permits issued in the preceding years. This is indicative of the fact that a decline in the labour permits issued during the last two FYs will have an impact on the flow of remittances in the coming years.

[31] Remittance has decreased by 5.8% In USD terms in the first seven months of the current FY 2021/22.

Figure 11: Growth (year-to-year) of Labour Permit Issued and Remittance Inflow



Source: Nepal Rastra Bank & Department of Foreign Employment

The outbound migration was declining before the onset of COVID-19, and outbound migration significantly decreased in the last two years (Only 72,081 labour permits were issued from April 2020 to Mid-July 2021). Therefore, the formal remittance will not follow the same trend in the near term as it did prior to the onset of COVID-19, thus is likely to fall in the coming days.

Notable appreciation of USD dollars against NPR and higher returns on commercial bank's fixed deposits (up to 12% per annum) for remitters could entice a section of migrant workers to remit. However, looking at the recent surge of USD against NPR, majority of migrant workers' propensity to remit may have declined in anticipation of further appreciation which might further impacts the inflow of remittances. In addition, attractive exchange rates floating in the informal market is likely to discourage usage of formal channels, while informal channels are giving up to NPR 133 per USD. The NRB has taken measures to control the use of foreign currency for Nepalis (including USD card holders). This will further boost demand for foreign currency informally, which will accentuate the curve of incoming formal remittances.

Given this background, it is critical to understand that the major impact of the current situation would be on the pattern of remittance growth. Nepal had a modest growth of remittance inflow during the last decades which helped to maintain the macroeconomic stability, particularly the external one. With the drop in the number of outbound migrant workers over the past two years, only a minimal growth could occur in nominal terms due to increase in wages/salaries or even inflation, but real growth is unlikely in the coming

years. A World Bank study indicates that remittance flow to LMIC is expected to grow at a moderate 2.6% in 2022, whereas in South Asia, it is only expected to grow at 1.8% in South Asia.

The fact that remittance growth will not follow the same trend as it did in the past, it would have crucial implications for the economy. These implications are going to be at the macro level rather than at the household level. Household level impacts would include health improvements, better education, smoothing consumption are likely to be irreversible simply because the remittances would not increase at the same pace. However, the macroeconomic implications are likely to be huge. First, Nepal's massive import growth in the recent decades has been largely financed through remittances. A decrease in tourism earnings, dismal mobilisation of the foreign grants and slow pace of foreign direct investment growth in recent years would mean that remittance needs to shoulder more than ever. The signs are already there. Second, the balance sheet of the NRB and therefore, the supply of loanable funds would also decrease. This would further exacerbate the liquidity crunch unless demand side subdues. Third, other macroeconomic indicators like government revenues and service sector activities would also be affected.

Despite the subdued short-term outlook of remittances and its implications to the economy in the coming years, remittances inflow is predicted to continue its historical trajectory in the long run, owing to the migration trend. Based on the findings of the study, it reveals that the dip in migration resulting in lag in remittances is a short-term phenomenon and is likely to pick up gradually. For instance, since the drop in COVID-19 cases, queues have started to form at the passport office, DOFE and activities like foreign language test for workers going to South Korea that were halted for past two years have resumed. Further, restrictions are easing in the destination countries as well. Therefore, assuming the increasing number of people migrating, remittance would gradually bounce back to pre-COVID growth trajectory. However, the key challenge for Nepal will remain to ensure these remittances would come through formal channels rather than informal channels.

Remittance Trajectory in the Next Five Years

The exercise carried out by the study on quantitative forecasting for the next five years suggests that there will be slow growth of remittances in the next three years (FY 2021/22-2023/24), while it is expected to rebound to a historical growth rate for the remaining two years (FY 2024/25- 2025/26) of the forecasted period. In particular, the year-to-year growth rate is forecasted to be 3.69% in FY 2021/22, followed by 6.42 % in FY 2022/23 and 8.82% in FY 2023/24. In the last two years of the projected period, remittance is expected to see a strong growth rate of 13.54% in FY 2024/25 and 16.62% in FY 2025/26. The labor permit issued by the Government of Nepal is taken as the predictor of remittance inflow, therefore, our model reflects that the rise in the number of labor permits issued will help increase the flow of remittances.

The rationale for considering labor permit as the predictor of remittance inflow is three fold. First, the study hypothesises that an interruption on the outflow of migrant workers during the COVID-19 has an impact on the future flow of the remittance. This is based on the observation that the historical y-to-y growth rate of remittance inflow and labor permit issued has a strong correlation. As the study intends to capture this historical y-to-y growth pattern vis-a-vis labor permits, the selection of the labor permit issued as a predictor seems plausible. Second, the disaggregated data on remittance inflow from major destination countries is limited. Ideally, a panel data model that captures the destination specific migration pattern, stock of migrant workers, remittance inflow, exchange rate economic and job market characteristics such as economic growth, employment rate could provide better and sound forecasts. However, due to limitations in availability of data, the study has relied on aggregated figures and forecast technique. Third, the exercise to arrive at a tenable forecast also suggests the inclusion of labor permit issued as a predictor. For instance, the models such as moving average and autoregressive techniques performed relatively weaker compared to a model that includes the labor permits as the predictor.

The study has considered that a sudden drop in the number of labor migrant outflow in FY 2020/21 has implications on the remittance flow in the coming years. However, the increase in the number of migrant workers going abroad in the coming years, and lagged effect captured by

the historical data has led the remittance to have a favorable growth rate during the last two years of the forecasted period. Nevertheless, the model adopted by the study does not capture all the factors that may influence remittances, such as, an increase in wage, economic growth, and exchange rate fluctuations. Accordingly, these factors are assumed to be the same as in normal situations. Further, the study has excluded the total remittance received from India due to the unavailability of the official time series figures on the total migrant's workers to India. Therefore, these figures should be taken cautiously and within the context of the limitations of the forecasted model adopted by the study. The model forecasts suggest an optimistic growth specially for FY 2024/25 and 2025/26. While optimistic scenario could have been partly explained by the model based historical growth of remittance despite the relatively weaker growth of the labor migration, ³² it also indicates the limitation of the model arising out the exclusion of several variables deemed necessary for more robust estimates. Therefore, the study take these figure as indicative, which largely aims to complement our qualitative findings derived from the stakeholder consultations. The study accepts limitations of this forecasting exercise in the context of data availability and model used for the forecast. Details about various assumptions and results of the adopted model is available in **Annex 7**.

Table 2: Projected Total Formal Remittance over the Next Five Years (excluding remittances from India)

Fiscal Year	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Remittance amount (in NPR million) ³³	8,149.90	8,450.63	8,993.16	9786.35	11,111.4	12,958.15
Remittance Growth (y to y)	-	3.69	6.42	8.82	13.54	16.62

[32] For example, the annual average growth rate of remittance was around 21 % for the period 2010/11 to 2014-15 and a growth of 9.0 % between the period 2015-16 to 2019-20 despite relatively slower growth of the labor permit issued (19 % and -4.1 % for these period respectively) compared to preceeding years.

[33] Since the historical data is available in Nepali currency, we have provided the estimates in Nepali currency. The time series data for the analysis is taken from FY 1993/94 to FY 2020/21.

7. Recommendations

Based on the study findings, it can be concluded that migrant workers should be made aware of available financial products and services to enable them to save and invest as well as be informed and educated about various formal channels to remit. An ecosystem conducive to awareness of migrant workers would help build a system that rewards and encourages Nepali migrant workers to use formal remittance channels and make productive investments. The following recommendations in the form of policy measures and interventions could also lead to building strong trust and foreseeing value and confidence amongst migrant workers. The timely adaptation of the following measures by the private sector and the government is key to making remittance market in Nepal more efficient and well-functioning.

7.1 Informal to Formal Channels

Government measures and polices: To encourage, motivate and reward the usage of formal channels, build trust and curb informal remittances.

a. Introduce both financial and non-financial incentives to reward remitters using formal channels.

- Provision for Mandatory bank account for migrant workers- upon usage of such account to remit, offer either cash incentive or higher interest along with non-cash incentive and coverage such as accidental and health insurance coverage.
- Either minimise or waive service fee for micro transaction below USD 300-The government can provide subsidy or reimburse the cost of remittance.
- Provide special recognition and benefits on services offered by the government.
- Special concessions on custom duties.
- Provide special discounts on health or insurance schemes offered by the government.

b. Introduce a mechanism for strong monitoring and regulation of domestic remittance transactions. A clear policy on monitoring, supervision and regulation of the existing domestic remittance market and its daily transactions. Further, mechanisms to monitor the transactions carried out by the agents of various remittance companies and digital wallets should be strengthened.

c. Introduce clear policy that discourages informal agents mobilising returnee migrant's workers to bring in high value goods.

d. Expedite existing measures to control informal channels and operators mobilising remittances both inside and outside the country.

Identify and control informal agents and networks who are actively mobilising remittances both inside and outside the country via informal channels.

e. Effective management, disclosures, and analysis of remittance data:

The NRB should create a robust system to regularly capture and disclose the number of remittances received from each country/region to analyse and forecast remittance trends. This would help in understanding the impact of global, regional, or country specific economic or political developments on remittance inflows to Nepal. Further, such data analytics will help in drawing country or region-specific interventions by the government.

f. Work with the Government of India along with the private sector to

reduce existing complications to remit from India: Address existing issues which need to be addressed to increase the uptake of formal channels to remit to Nepal from India and integrate with existing digital payment system.

Financial Literacy

a. Mandatory short and effective orientation class on financial products

and services. In partnership with financial institutions, foreign employment agencies and the Foreign Employment Promotion Board (welfare fund), the government can develop and introduce a mandatory short and effective practical class (orientation) on financial services before the departure of migrant workers, wherein the migrants are provided orientation on:

- Basic knowledge of the formal banking system - its basic functions
- Knowledge about basic banking products and services.
- Importance of savings and investments.
- Process to open a bank account - KYC requirements.
- Basic knowledge about digital financial services.
- Process to open and use digital services, such as mobile banking application and mobile wallets.
- Knowledge about remittances and its importance
- Demonstration on the use formal channels to remit, its cost and advantages of using formal channels to remit.
- Highlight the various legal and other risks, and disadvantages associated with the usage of informal channels.
- Case studies or case stories to demonstrate the advantages and disadvantages of remitting via formal channels and informal channels

b. Launch effective campaigns to enhance financial literacy targeting

migrant workers. Physical and social media campaigns using celebrities and social media influencers to build awareness regarding formal and informal channels.

- **Create simple, clear, and effective digital content.** Short videos, vlogs, stories, or documents can be produced to explain the procedures of using formal remittance channels along with its benefits, and various risks associated with using informal channels.
- **Develop content that builds trust and confidence.** Along with awareness campaigns, produce content that helps build personal trust and confidence towards formal channels, as there is a deep-rooted fear of additional hidden costs associated with formal remittance channels.

7.2 Facilitating long-term savings and Investments

For Migrant Workers

a. Introduce long-term savings-retirement fund and social security scheme targeting migrant workers. The government in collaboration with Employee Provident Fund, Citizen Investment Fund (CIT) or Social Security Fund (SSF) can develop long-term savings-retirement fund and social security scheme.

b. Introduce long-term government or municipal bonds which are linked with a national or provincial government priority or pride projects. Such bonds could also be issued in USD to attract investment of diaspora and NRNs as well.

c. Encourage and support Banks and Financial institutions (BFIs) to introduce various long-term savings and credit products catering to the needs of remittance receiving households or returnee migrant workers. Long-term innovative savings and investment products with unique and cross-selling features such as recurring deposit, bank account linked with Systematic Investment Plans (SIPs), adequate life and accidental insurance coverage. Similarly, introduce customised credit products based on the requirements of migrant workers and their families, and provide credit based on their formal remittance history.

d. Allow Investment in USD in Nepali funds (foreign currency retail investment fund) with returns in USD. Nepalis should be allowed to retain their foreign currency in foreign currency accounts. Foreign currency funds that that invest in businesses within Nepal and earn foreign exchange should be established. For instance, foreign currency funds that invest in companies that export ICT services could be established. These funds can be enabled through digital platforms and can be linked to the migrants' foreign exchange bank accounts, wherein they can invest small amounts of money into the funds; similar to how a mutual fund operates. This would also enable smaller foreign exchange funds to be domiciled in Nepal, which would provide the much-needed capital for start-ups and other MSMEs in the country. In this

regard, a study needs to be undertaken by the government to create an enabling environment for such Retail Investment Funds and regulatory mechanisms for the same.

For NRNs / Diaspora

- a. Facilitation of FDIs and business registration to attract investments from the Nepali diaspora.** Work on reducing existing red tapes on facilitation of FDIs and business registration at the level of the Ministry of Industry to attract investments from the Nepali diaspora looking for investment avenues in Nepal. (Currently, significant number of Nepali diasporas are using informal channels to route investments in Nepal due to the current policy issues).
- b. Clarity on policies around taxes and repatriation applicable for returns on investment made by Nepali diaspora.**
- c. Make clear provisions with easy route to allow Nepali diaspora to invest in available investment avenues in Nepal.** Possible areas could be private equity funds, venture capital funds, bonds and debentures, portfolio management services and mutual funds.
- d. Capitalise current policy that allows NRNs to open foreign currency accounts.** To enhance the uptake of such savings account by NRNs, following measures can be taken:
 - Interest earning on such savings should be tax-free.
 - Clear provisions should be made to repatriate interest income.
 - Existing minimum balance to open such accounts should be revisited.

For Nepalis

- a. Allow Nepalis to formally invest outside Nepal - in designated funds. The government should allow Nepalis to formally invest outside of Nepal.** This is currently restricted by law through the Act Restricting Investment Abroad, 1964. Money received through remittances should be allowed to be invest in designated funds that further invest in businesses, funds, and assets outside Nepal. The returns of the investments would be brought back to Nepal. This would give an opportunity to migrants to participate in markets outside Nepal formally, which they are already engaging in informally. This will ensure that a good portion of remittances that stay outside Nepal, which are invested in businesses, funds, and assets informally, would be brought within formal structures.

In summary, there is an acute need for a comprehensive program or initiative from the key stakeholders within the ecosystem.

- To build a robust system which monitors remittance figures at a granular level.

- To encourage and educate migrant workers about various financial products.
- To carry out activities to build trust and confidence amongst migrant workers.
- To reward and incentivise migrant workers adopting formal channels to convert the big proportion of remittances through informal channels to formal ones.

8. Annexures

Annex 1

Key Definitions

Key study terms are defined in this section. Unless otherwise specified, definitions are adapted from the IOM's 2019 Glossary on Migration.

Migrant

There is no universally accepted definition of “migrant” under international law but for current study purposes, a migrant is defined as “a person who moves away from his or her place of usual residence, whether within a country or across an international border, temporarily or permanently, and for a variety of reasons”. This broad definition encompasses both migrants moving within the country and those crossing international borders as well as well-defined legal categories of people such as migrant workers and undefined legal categories such as international students. The focus of the current study is on international migrants and migrant workers, defined subsequently.

International Migrant

The current study adopts the definition of international migrants put forth by the United Nations Department of Economic and Social Affairs (UN DESA) in its Recommendations on Statistics of International Migration i.e., “any person who changes his or her country of usual residence”. Here, “country of usual residence” refers to the country in which the person has a place to live and spends their time of rest. Temporary travel abroad does not constitute a change in country of usual residence.

Labour Migration

Labour migration is defined as, “Movement of persons from one State to another, or within their own country of residence, for the purpose of employment”. This definition includes both migrants moving within the country and those crossing international borders.

Migrant Worker

A migrant worker is a “person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national”. In the context of Nepal and the current study, a migrant worker is defined as a Nepali national who is to be engaged, is engaged or has been engaged in a remunerated activity in a country other than Nepal.

Returnee Migrant Worker

Adapting UN DESA's definition of returnee migrants to the context of Nepal and the current study, a returnee migrant worker is defined as a Nepali national who has returned to Nepal after having been an international migrant worker (whether short- or long-term) in another

country and who intends to stay in Nepal for at least one year. Migrant workers who are visiting Nepal temporarily for recreation, holiday, visits to friends and relatives or business are not considered returnee migrant workers.

Aspirant Migrant Worker

Aspiring migrant worker is a Nepali national who has plans to go abroad for work and is currently under the process for the same.

Diaspora

Nepali migrants and/or their descendants, who reside outside Nepal but still identify and have links with their country of origin.

Formal Remittance

Remittance received by the country remitted from various destination countries via formal channels such as remittance companies, banks and financial institutions and digital wallets.

Informal Remittances

Remittance which is received via informal channels such as *hundi* and informal operators and cannot be traced officially.

Annex 2

List of Abbreviations

ADB	Asian Development Bank
AUD	Australian Dollar
BFI	Banking and Financial Institutions
BOP	Balance of Payment
BS	Bikram Sambat
CAGR	Compound Annual Growth Rate
CBFIN	Confederation of Banks and Financial Institutions
CBS	Central Bureau Statistics
CCMC	COVID-19 Crisis Management Center
CESLAM	Centre for the Study of Labor and Mobility
CIT	Citizen Investment Fund
CoD	Country of Destination
DGL	Director-General of Labor
DoFE	Department of Foreign Employment
EPS	Employment Permit Scheme
FDI	Foreign Direct Investment
FEPB	Foreign Employment Promotion Board
FGD	Focus Group Discussions
FRB	Federal Board of Revenue
FY	Fiscal Year
G2G	Government-to-Government
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GoN	Government of Nepal
ICT	Information and Communication Technology
ID	Identity
ILO	International Labour Organization
IMF	International Monetary Fund
INR	Indian Rupee
IOM	International Organization for Migration
KIIs	Key Informant Interviews
KYC	Know Your Customer
LMICs	Low and Middle-income Countries
MoFA	Ministry of Foreign Affairs
MoLESS	Ministry of Labor, Employment and Social Security
MoU	Memorandum of Understanding
MSAL	Ministry of Social Affairs and Labour
MSMEs	Micro, Small and Medium Enterprises
MYR	Malaysian Ringgit
NAFEA	Nepal Association of Foreign Employment Agencies
NEF	Nepal Economic Forum

NEFT	National Electronic Funds Transfer
NELM	New Economics of Labour Migration
NEPSE	Nepal Stock Exchange
NFAP	National Foundation for American Policy
NLSS	National Living Standard Survey
NOC	No Objection Certificate
NPC	National Planning Commission
NPR	Nepalese Rupee
NRA	Nepal Remitters Association
NRB	Nepal Rastra Bank
NRN	Non-Resident Nepali
NRNA	Non-Resident Nepali Association
NSBL	Nepal SBI Bank Ltd
PIN	Personal Identification Number
PKR	Pakistani Rupee
PPD	Public Private Dialogue
PRI	Pakistan Remittance Initiative
RBI	Reserve Bank of India
SAARC	South Asian Association of Regional Cooperation
SAWTEE	South Asia Watch on Trade, Economics & Environment
SBP	State Bank of Pakistan
SIP	Systematic Investment Plan
SSF	Social Security Fund
TIA	Tribhuvan International Airport
ToPIK	Test of Proficiency in Korean
UAE	United Arab Emirates
UK	United Kingdom
UNDESA	United Nations Department of Economic and Social Affairs
USA	United States of America
USD	United States Dollar

Annex 3

Endnotes

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