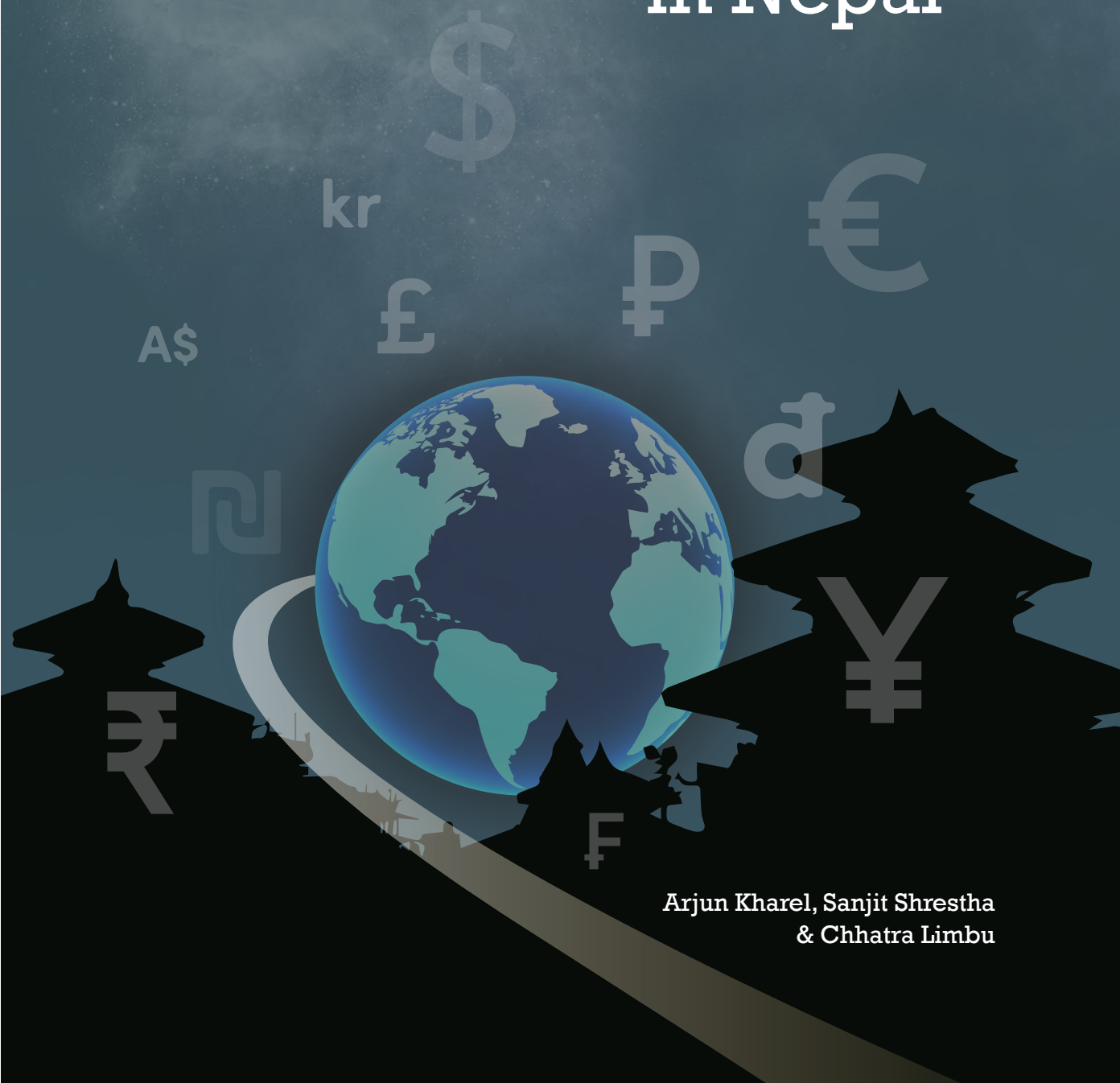


Status of Remittances in Nepal



Arjun Kharel, Sanjit Shrestha
& Chhatra Limbu

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Cover design: Norbo Lama
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Abbreviations and Acronyms

AML	Anti-Money Laundering
BFI	Bank and Financial Institution
BoP	Balance of Payment
CBS	Central Bureau of Statistics
CESLAM	Centre for the Study of Labour and Mobility
CFT	Combating the Financing of Terrorism
CoD	Country of Destination
CoO	Country of Origin
DoFE	Department of Foreign Employment
FDI	Foreign Direct Investment
FESB	Foreign Employment Saving Bond
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GoN	Government of Nepal
HH	Household
IME	International Money Express
IMF	International Monetary Fund
INR	Indian Rupee
KYC	Know Your Customer
LMIC	Low- and Middle-Income Country
MoLESS	Ministry of Labour, Employment and Social Security
MTO	Money Transfer Operator
NLSS	Nepal Living Standards Survey
NPR	Nepali Rupee
NRB	Nepal Rastra Bank
ODA	Official Development Assistance
RSP	Remittance Service Provider
SDG	Sustainable Development Goal
UAE	United Arab Emirates
UNDESA	United Nations Department of Economic and Social Affairs
USD	United States Dollar

Acknowledgements

This study was made possible with the support of various institutions and individuals. We appreciate the support of the UK International Development and Data for Development Programme and The Asia Foundation (TAF), and thank Pranaya Sthapit, Prashamsha Simkhada and Sneha Shah of TAF for their feedback on the final version of the report. We thank Manohar Ghimire, Director at the National Statistics Office, and Sona Rana and Merina Shrestha, respectively, Deputy Director and Assistant Director at the Nepal Rastra Bank, for the generous reviews provided by them.

The report has greatly benefitted from the contributions of many colleagues at Social Science Baha, past and present. We acknowledge Dinesh Pathak, Dogendra Tumsa, Sabir Ansari, Shalini Gupta and Sudhir Shrestha in data collection, review of the initial draft of the report or the cleaning of datasets. We thank Deepak Thapa for his review and helpful suggestions as well as edits of the final report. We also appreciate his contribution in the development of research proposal. We are equally thankful to Manesh Shrestha for editing the report, to Jeevan Baniya for his inputs in the research proposal and to Bandita Sijapati for her feedback on the initial draft of the report.

We are also thankful to Bindiya Shrestha of Social Science Baha and Manish Maharjan of TAF for their administrative support.

—The Authors

Executive Summary

This study was conducted in the context of the high significance of remittances, i.e., money or goods transferred from abroad, to Nepal's economy and also the absence of any comprehensive examination of this phenomenon. To make up for this gap, the study analyses the trends and scale of remittance inflows into Nepal and attempts to provide a comprehensive understanding of remittances, remitters and channels of remittance transfers. It also discusses the characteristics of remittance-recipient households and identifies the factors associated with remittance-spending behaviour.

The study is primarily based on data from the Nepal Living Standards Survey of 1995/1996 (NLSS I), 2003/2004 (NLSS II), 2010/2011 (NLSS III) and 2022/23 (NLSS IV) and the Nepal Rastra Bank's historical data on remittances as well as various economic indicators. The NLSS data shows a tremendous growth in the proportion of Nepali households receiving remittances from abroad in the period of nearly three decades—1996 to 2023. While about a tenth (10.8 per cent) of Nepali households received remittances in 1996, that proportion had increased by over three times to reach 35.6 per cent (or, over a third of total households in Nepal) in 2023. The average amounts received by households had also increased significantly over the years, from just NPR 18,215 (USD 330) in 1996 to NPR 315,539 (USD 2,413) in 2023—a 17-fold increase in 27 years.¹

While remittances have been received by a significant proportion of households in each province of Nepal, discrepancies exist at the provincial level in terms of the volume of remittances received and the average amount of transfer per remitter. The relatively wealthier provinces—Bagmati, Gandaki and Koshi—receive significantly higher volumes of remittances compared to the relatively poorer ones—Karnali, Sudurpaschim and Madhesh. In 2023, households in Gandaki, Koshi and Bagmati received the largest amounts on average, about NPR 400,000 or more, while households in Sudurpaschim, Karnali and Madhesh averaged about half of that. Per remitter transfer in the former three provinces was also significantly higher, compared to the latter three. The main reason was the discrepancy in the location of remitters: while the lower remittance-receiving provinces had a large proportion of their remitters in India those from the higher remittance-recipient provinces were spread over countries other than India. However, even in India, migrants from the poorer provinces

1 The conversion rate used for each survey year is the average exchange rate for the corresponding fiscal year provided in NRB Quarterly Economic Bulletin, July 2024.

seemed to be employed at lower-wage jobs, and thus remitting smaller amounts of remittances compared to India-based migrants from Bagmati and Koshi.

The size of remittances per remitter has grown significantly over the three decades. While, on average, each remitter sent NPR 16,227 (USD 294) in a year in 1996, the amount had increased to NPR 49,564 (USD 672) in 2004, and NPR 224,744 (USD 1,720) by 2023. A sharp rise in average remittance size between 1996 and 2004 was associated with the migration of a sizeable number of Nepali migrant workers leaving for relatively higher-income destinations of the GCC countries by 2004. While nearly all remitters (91.8 per cent) lived in India in 1996, it had declined to 64.4 per cent by 2004 and 40.6 per cent in 2023. Despite the high number of remitters from India (40.6 per cent) though, its share in the volume of remittances transferred to Nepal is much lower (13.9 per cent), indicating the relatively low incomes of migrants there. The 2023 data (NLSS IV) shows the emergence of newer destinations for Nepali migrants with much higher proportions of remittances being transferred from Australia, Japan and South Korea.

Most remitters, consistent with the migration landscape in Nepal, are men but women's share in total remitters and remittances is gradually increasing. While women remitters comprised only 4.5 per cent of the total remitters and contributed just 1.3 per cent of the total remittances in 2004, those proportions in 2023 were respectively 19.9 per cent and 10.4 per cent. Women remitters sent a smaller, albeit substantial, amount on average (NPR 116,606) in 2023 compared to men (NPR 251,642) as women remitters were predominantly employed in less-remunerative jobs and in a lower-income country like India. Furthermore, a significant proportion of women remitters were 'not working' in the destinations. They were likely to be dependent migrants who were nevertheless remitting small amounts to their family in Nepal.

NLSS data shows significant improvements in the formalisation of remittance transfers to Nepal from most corridors. Policy interventions by the Nepal Rastra Bank to encourage the use of formal channels while remitting, coupled with the expansion of remittance service providers and banking and financial institutions into more remote areas of Nepal as well as technological developments and improvements in formal transfer mechanisms in major destinations of Nepali migrants are likely to have contributed to this improvement in formal transfer of remittances to Nepal. Only 7 per cent of total remittances in Nepal entered through informal channels—personal networks, self and *bundi*—in 2023 compared to 30 per cent in 2011. While *bundi*-users are usually higher-income migrants and remitting from high-income countries at a higher proportion, those transferring through personal networks and self are predominantly low-income migrants based in India.

Households in Nepal use remittances for a variety of purposes, such as daily consumption, loan repayment, children's education, investments and saving. The top ranking 'first priority' use of remittances has consistently been daily consumption (69.3 per cent in 2011 and 72.3 per cent in 2023), followed by loan repayment (15.9 and 13.5 per cent), likely to pay off debts

incurred in the migration process. Remittances transferred by both women and men are used, as first or second priority, predominantly for household consumption. However, while loan repayment was the next major use of remittances transferred by male remitters (33.5 per cent) in 2023, the proportion used for this purpose from what was remitted by women was much less (15.7 per cent).

Policy Recommendations

The following policy recommendations are made based on the study findings.

- Since remittance transfers are uneven across provinces in both volume and average transfers, it would be essential for the federal government to work with provincial governments and development partners in designing policies and programmes to enhance migrants' access to higher-income countries and help increase the volume of remittances to low remittance-receiving provinces.
- There have been significant improvements in the formalisation of remittances over the years, with only a small proportion of remittances coming informally now. Further policy interventions are necessary to bring the informally transferred remittances into the formal structure. That can be achieved by making it easier for remittance transfers from India through further expansion of remittance service providers in remote areas of Nepal as well as India where migrant workers are employed. The easing of transfers could help bring more seasonal and lower-income migrants in India into the formal structure. Besides its impact on the macro economy of Nepal, such formalisation efforts can also minimise migrants' risk of being looted on the way home and protect them from a direct financial loss. Since women remitters use informal channels at higher rates compared to men, the constraining factors in specific corridors need to be identified and addressed in order to increase women remitters' access to formal channels.
- The costs of remittance transfer to Nepal from major destinations covered in the study have declined but they are not yet within the Sustainable Development Goals (SDGs) target of below 3 per cent of the transferred amount in all countries. Continued bilateral and multilateral initiatives and engagements are necessary to further lower the remittance transfer costs. The data on remittance transfer costs, provided by the World Bank, is limited to a few corridors. Nepal Rastra Bank needs to engage with the institutions engaged in remittance transfers in Nepal and abroad to collect periodic data on the costs of remittance transfer to Nepal from all the major countries sending remittances to Nepal.
- Nepali households use remittances primarily to pay for daily household needs, and this is only to be expected as remittances have been the means of survival for many households

in the absence of dependable incomes and alternate livelihood options. Data shows that migrant households' remittance savings and investments can rise significantly with an improvement in migration governance and control of unauthorised collection of exorbitant recruitment fees from migrant workers. Households that do not have to repay debts are likely to use remittances for savings and investments in sectors that lead to capital formation. On the other hand, high recruitment costs increase the risk of debt traps for migrant workers and reduce the overall utility of migration, necessitating, in many instances, re-migration. The larger policy initiatives should focus on enhancing the overall income of migrant households and minimising the draining of remittances for purposes such as the repayment of debts incurred in the migration process. The three tiers of government and development agencies have to continuously work together to attain this objective. Collaborations are also necessary at the regional and global level between and among the concerned stakeholders to eliminate migration costs and migration-related debts.

- Many student migrants and non-household members (many of whom are likely to be Nepalis with permanent residency in foreign countries) are sending remittances to Nepal. However, remittances from permanent residents are likely to gradually decline as they start investing in the country of their residence. Thus, in the context of the increase of student migration from Nepal to countries where they have the possibility of obtaining permanent residency, and even citizenship, and where there is a growing number of Nepalis, it is paramount that the government introduce various strategies to ensure their connection to Nepal remains intact, extending to future generations as well. Such connections can help Nepal through direct investments as well as indirectly through tourism.
- While Nepal's remittance-dependent economy has become a cause of concern lately, and there is a fear about the sustainability of remittances, a historical review of remittance data shows that remittances have consistently remained a reliable source of foreign exchange and has protected Nepal's economy even during the times of crisis. Nevertheless, Nepal needs to diversify its economy and design and implement policies and programmes to attain this objective. Furthermore, Nepal needs to diversify the destination countries available to Nepali migrant workers, opening up corridors with better earnings and working conditions through bilateral discussions with countries experiencing labour shortages. This would increase the remittances repatriated to Nepal and protect the nation against volatility in the economies of destination countries.

1. Introduction

1.1 Background

Global remittance flows, defined as the transfer of money or goods by migrant workers to their countries of origin,¹ have been ever increasing, with a large number of people living outside their country of birth and sending money to their families back home. In 2024, the number of international migrants stood at 304 million or 3.7 per cent of the world population, and global remittance flows were estimated to be a mammoth USD 905 billion (United Nations 2025; Ratha, Plaza and Kim 2024). India was estimated to have received the highest amount of remittance globally in 2024, at USD 119.5 billion (Ratha, Plaza and Kim 2024). Other countries receiving significant amounts of remittance included Mexico, China, the Philippines, France, Pakistan and Bangladesh. The significance of remittances to the economy of a country, indicated by its share relative to the gross domestic product (GDP), has been higher for relatively smaller and poorer countries. In 2024, the top-ranking countries in terms of remittance to GDP ratio were Tajikistan, Tonga, Nicaragua, Lebanon, Samoa and Nepal (Ratha, Plaza and Kim 2024). Nepal reflects global trends of both migration and remittances in many respects. There were over 2.1 million Nepalis living outside the country at the time of the census survey in 2021, and Nepali migrants sent home USD 10.76 billion in 2023 (NSO 2021; World Bank, nd[a]). That amount was equivalent to over a quarter (26.3 per cent) of the country's GDP of USD 40.9 billion in 2023 (World Bank, n.d.[b]). Nepali migrant workers are predominantly employed in the six Gulf Cooperation Council (GCC) countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE)—Malaysia and India (MoLESS 2022).

Remittances have become one of the largest sources of foreign exchange earnings for developing and low-income countries, exceeding the flows of foreign direct investment (FDI) and official development assistance (ODI) to low- and middle-income countries (LMICs) in 2019 (KNOMAD 2019). In fact, remittances are also viewed as a means of financing development. As Kapur (2005, 339) argues, remittances strike the 'right cognitive chord' for development as they represent the income earned by compatriots living abroad, signalling agency, and exclude conditionalities that might be implicit in other inflows such as grants and loans. Although migrant workers, who are the breadwinners in their families, send

1 Although remittances can be internal, this paper looks at remittances sent from abroad only. The working definition has been elaborated later in this section.

remittances not directly out of obligation to their nation but to their families (Hagen-Zanker and Siegel 2007), the countries of origin (CoOs) benefit from workers' remittances which somewhat compensates for the loss of productive human resources back home.

Remittances maintain an advantage over other sources of development inflows because of their relative stability during times of crisis and their imperviousness to cyclical fluctuations, possibly induced by migrant workers' obligations towards their family members. The insulation provided by social security measures in the CoDs also ensures the steadfast transfer of remittances back home despite economic downturns and reduced earnings. That much is clear from the volume of remittance flows recovering quickly in the aftermath of the Asian financial crisis (1997–1999), remaining stable after the Great Recession (2008–2009), and showing tremendous resilience during the economic downturn caused by the COVID-19 pandemic (Jha et al 2009; KNOMAD 2021).

Remittances are believed to enhance the overall economy of a country through an increase in savings and, thereby, an increase in investment and production (Adam Jr. and Page 2005). Yet, most remittance inflows in the receiving countries are spent on meeting daily household needs and debt repayment. This means that the most significant impact of remittances remains at the household level through poverty alleviation and accentuation of consumption levels, even though it does have multiplier effects on the local and national economy. As consumption levels increase, the size of the local economy expands, and the remittance received by a single household indirectly benefits many more in the local community. The national government also benefits from remittance transfers as indirect tax receipts are augmented (Desai et al 2003). Furthermore, investments in health and education, although grouped as consumption expenditures, and thus considered 'unproductive' and neglected, have long-term returns in the form of empowerment of individuals as well as contribution to the economy through the expansion of health coverage and literacy levels (Sen 1999).

However, remittances can also engender negative externalities that can result in the receiving country's overreliance on one economic sector and the country suffering from what is called the 'Dutch disease' (Acosta et al 2009). A large volume of remittance inflows can cause currency inflation in the receiving country, resulting in a decline in international competitiveness, consequently reducing exports and making sectors like tourism more expensive. Remittances can also induce moral hazards by making recipient households dependent, leading to a sharp decline in productive activities in areas where out-migration is common (Amuedo-Dorantes 2014). Furthermore, the migration of high-skilled and scant labour can reduce the quality of service delivery in the origin countries. For instance, a Sudanese doctor migrating to the United Kingdom (UK) to become a taxi driver increases the global GDP but may not necessarily aggregate to maximisation of benefits for Sudan if it results in a shortage of doctors (Collier 2018).

Gurkhas after the Second World War: A Case of Remittance Atrophy

Remittance is a crucial source of poverty amelioration and development finance for many low- and middle-income countries. Although immune to crises and disasters, as showcased during the COVID-19 pandemic, it remains vulnerable to the vicissitudes of the global labour market. Enlistment in the British and Indian armies became an employment strategy for many in Nepal in the aftermath of the Anglo-Nepal War of 1814–16. As many studies have demonstrated, Gurkhas/Gorkhas and their families enjoyed considerable upward economic and social mobility, with the poignant picture of porters carrying the fruit of their pecuniary gains while returning home an emblematic example (Paudel 2022). However, the end of the Second World War and the dissolution of the British Empire and its influence resulted in the disbandment of many Gurkha regiments and the unceremonious dismissal of thousands (Banskota 1994). Those remaining were posted to newer regions such as Malaya, Brunei and Hong Kong with many of the latter also disbanded post-1997 when the United Kingdom transferred Hong Kong over to China. Thus, a significant number of Gurkhas who had enlisted in the British army and served during the Second World War and the Malaya campaign suddenly lost employment with only ‘minimal financial assistance’ (Banskota 1994, 124). A rich history of large-scale employment and remittance transfers was suddenly discontinued (Caplan 2009). Nepalis still seek employment in the British army, but the scale has reduced drastically. The case of the Gurkhas shows that an over-reliance on migrants’ remittances without economic diversification can actually have a deleterious effect on origin communities (Adhikary 2025).

Relevance of the Study

The literature on the role of remittances in poverty reduction in Nepal and in other countries highlights its importance (Asian Development Bank 2012; Wagle and Devkota 2018; Yoshino et al 2017). Nepal has experienced brisk poverty reduction despite a modest economic growth rate, with the population with multidimensional poverty declining to 28.6 per cent in 2014 from 59 per cent in 2006 (Cosic et al 2017; NPC and OPHI 2018; World Bank 2024). A national survey found a further decline in poverty rate in Nepal to 20.3 per cent in 2023 (NLSS 2024). Remittance inflows, along with growth in agriculture, access to rural finance, road connectivity and social protection schemes, have been identified as major factors contributing to the reduction in the poverty rate (Asian Development Bank 2012; NPC 2015). Remittances, as the second largest income source after agriculture, are also considered a key factor for a significant increase in average household and per capita income post-1990s years (Asian Development Bank 2012).

There are occasional reports on the impact of a remittance economy not being sustainable (Cosic et al 2017), of remittances not contributing to the GDP of the country in the long run (Dhungel 2014), or of remittances being primarily spent on consumption but not in productive sector (Sapkota 2013). There have also been calls to channel remittances towards productive usage, with a goal of increasing productivity, and remittance-receiving households are often blamed for (mis)using remittances for consumption and not on 'productive uses', an observation that ignores the socio-economic contexts of Nepal and the basic characteristics of the remittances received in Nepali households. Furthermore, the tendency to place the burden of country's 'development' and 'economic growth' on migrant workers unnecessarily defers the state's responsibilities to its citizens and fails to treat migrants as 'individuals with rights' (Sijapati 2016).

This paper is based on a study undertaken to better understand the characteristics of remittances coming into Nepal and of remittance-recipient households as well as to identify the factors associated with remittance-spending behaviours. Although there is a substantive body of work dealing with the socio-economic and political impacts of the remittances (such as Thapa and Acharya 2017; Sijapati et al 2017; Ojha 2013; Regmi and Tisdell 2010), there is still a lack of a comprehensive understanding of the scale, trends, corridors and channels of remittance inflows into Nepal.

Definition of 'remittance'

Although 'remittance' is often used to refer to amounts transferred from both within and outside the country, in this paper it refers to external remittances only, i.e. 'money or goods transferred from abroad'. Remittance includes transfers made by migrants employed in a foreign country (where they are not residents) to their household in the country of origin as well as transfers from residents of one country to residents of another. This definition of 'remittance' is consistent with use of the term by the International Monetary Fund (IMF) and the Nepal Rastra Bank (NRB) (IMF 2009a; Pant 2008).

While the Nepal Living Standards Survey (1995/96, 2003/2004, 2010/11 and 2022/23) considers cash or in-kind transfers from both within and outside Nepal as remittances, the paper uses only data on the remittances received by the households in Nepal from outside the country and uses 'internal remittances' to refer to remittances transferred within Nepal.

1.2 Research Objectives

This study explains the trends in remittances transferred to Nepal and provides a comprehensive understanding of remittances, remitters and remittance-recipient households, covering the following:

- trends in remittance inflows since the 1990s;
- relationship between foreign labour migration and remittance inflow into the country;
- trends in the costs of remittance transfers to Nepal from major destinations of Nepali workers;
- channels used to transfer remittances, including preferred modes;
- characteristics of remitters, remittances and remittance-receiving households;
- patterns of remittance use, and factors associated with remittance-spending behaviours; and
- legal and institutional mechanisms regulating remittances.

1.3 Methodology

This study primarily uses the raw data from the Nepal Living Standards Survey of 1995/1996 (NLSS I), 2003/2004 (NLSS II), 2010/2011 (NLSS III) and 2022/23 (NLSS IV) obtained from the National Statistics Office (NSO).² Information from the data was supplemented by a desk review of relevant publications, analysis of remittance-related data available in the public domain, and interviews with key individuals and organisations working in the remittance sector in Nepal.

The NLSS data was cleaned and the datasets prepared for further analysis of remittance transfers from foreign countries only. This process involved the removal of internal remittances from the dataset. With the application of weights provided with the datasets, the findings are representative of the national scenario at the time the said NLSS was conducted. Further, the sample for NLSS 2022/23 is also representative at the province level.³

The data was analysed using Stata software to produce univariate, bivariate and multivariate outputs. The results have been presented in tables, charts and graphs, as deemed relevant for the specific type of information. Data from the interviews has been used only for explanatory purposes—to interpret the quantitative data and explain certain concepts and processes.

1.4 Contribution to the Literature

This study can contribute substantially to the attainment of different Sustainable Development Goals (SDGs), particularly SDG 10.c, which aims to ‘reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate corridors with costs higher than 5 per cent’ by 2030 (UNDESA, nd), by tracking the progress made on that front as well

2 The ending year of the survey has been used to refer to the year whenever a single year is used. For instance, the year 1996 is used for 1995/1996.

3 Margin of error is not provided for any edition of NLSS.

as identifying programme and policy interventions that can contribute towards reducing remittance transfer costs. The findings presented here can also inform policies for directing remittance flows in reducing poverty (SDG 1) and inequality in the country (SDG 10).

Given the paucity of comprehensive studies on remittances in Nepal, this paper can benefit various government agencies, the private sector (banks and money transfer organisations), donors, civil society organisations and academia for their policies and plans as well as advocacy and further research. To that end, it also includes some policy recommendations for government agencies and other relevant stakeholders, which can work together to ease transfer of remittances from abroad, lower remittance transfer costs, and maximise returns from international migration.

1.5 Limitations of the Study

The main limitation of this study was the constraint of being based primarily on the data from four editions of NLSS and NRB macro data on remittance transfers and other economic indicators. The analysis of NLSS datasets, for instance, is limited to the variables for which the data is available, limiting the explanations of some remittance-related phenomena. In such instances, the NLSS data has been complemented with information from other secondary sources. Similarly, comparable data was not available across the four editions of the NLSS in some cases, with remittance data collected in even fewer variables in the earlier editions. Where that is the case, the data has been presented only for the years the data was available. Finally, since data on total remittances (including non-convertibles) from the early years is not available, the analysis of Nepal's historical remittance income is limited to convertible currencies only.

2. Macro Trends of Remittances

This chapter discusses how Nepal compares with other countries in terms of remittance inflows, using various national and international datasets. The chapter also provides a historical overview of the remittance inflow in Nepal and its significance in the macroeconomic environment of the country.

Table 2.1: Tracking remittance over the decades

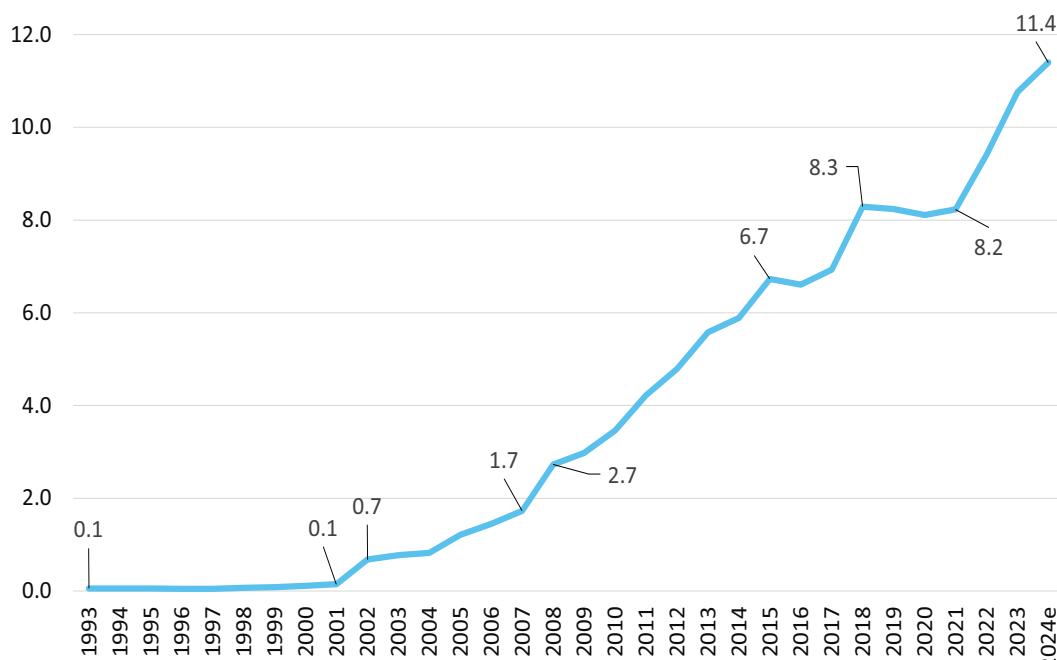
Year	Term used	What was included?
Until 1970s	'Gorkha remittance'	Workers' remittances as well but the emphasis was on reporting the salaries and pensions of Gurkhas, which was the predominant source of remittance of the time.
1980s	'Remittances'	Remittances sent by workers as well as salaries and pensions of Gurkhas.
Mid-1990s	'Workers' remittances' and 'Gorkha remittances'	The former comprised remittances sent by migrant workers while the latter consisted of salaries and pensions of the Gurkhas.
Since early 2000s	'Workers' remittances'	Only remittances sent by migrant workers (with Gurkhas remittances being reported under pensions).

Source: Based on the analysis of the terms used in the NRB Quarterly Economic Bulletin of different periods.

2.1 Relationship of Remittance Inflow with Labour Migration

The total amount of remittances sent by workers features 'workers' remittances' in the balance of payment (BoP) reports of the Nepal Rastra Bank (NRB), the central bank. Since 2000/01, this has included money sent from abroad but excludes pensions of former Gurkha/Gorkha soldiers remitted to Nepal.⁴ Called 'Gorkha remittance' till the 1970s (Nepal Rastra Bank 1973), the NRB reports changed the terminology and began referring to 'remittances' in the 1980s to include remittances sent by migrant workers as well as the salary and pension of the Gurkhas (Nepal Rastra Bank 1987). Starting in the mid-1990s, as the volume of remittances sent by migrant workers increased, the NRB began distinguishing

⁴ The amounts remitted by Nepalis recruited in the armed forces of the United Kingdom, India and former British colonies are included in the 'Gorkha' remittance data even though these soldiers are called 'Gurkhas' or 'Gorkhas' in different countries.

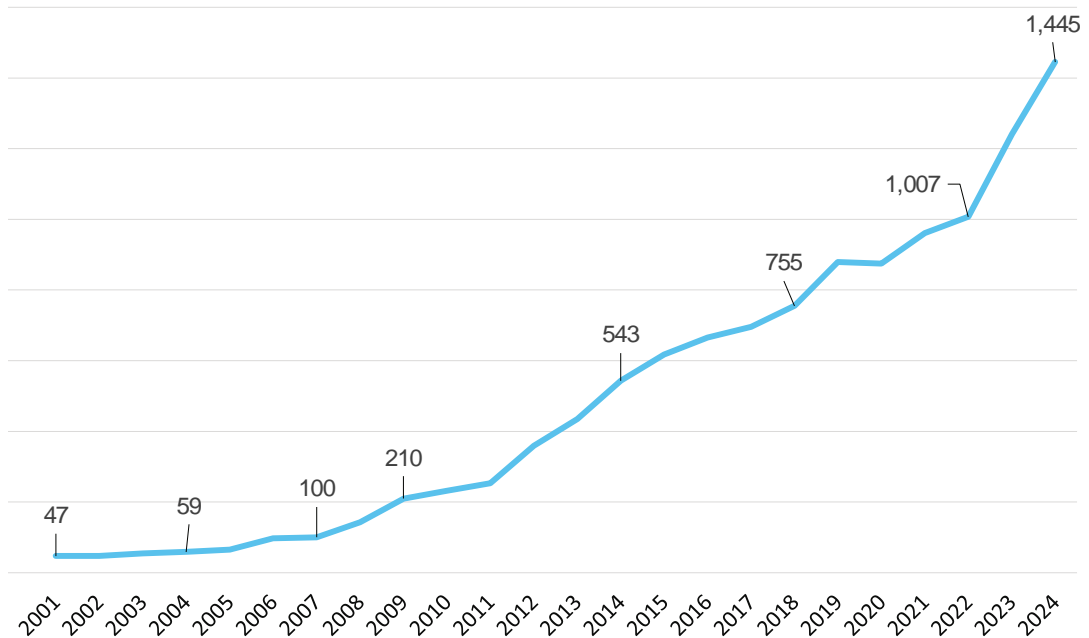
Figure 2.1a: Amount remitted to Nepal, 1993 to 2023 (in billion USD)

e=Estimates only.
Source: World Bank

between remittances sent by migrant workers and those sent by the Gurkhas/Gorkhas by reporting them separately under ‘remittances’ and ‘Gorkha remittances’, respectively (Nepal Rastra Bank 1997b). The former is now reported under ‘workers’ remittances’ while the latter is reported under ‘pensions’, ‘compensation of employees’ or ‘government n.i.e. [not included elsewhere]’ based on payment type and method (see Table 2.1).

While only USD 55 million was transferred to Nepal as remittances in 1993, the amount steadily increased in the next few years to reach USD 112 million by 2000. The steady rise gave way to massive jumps by the middle of the 2000s, with remittances reaching USD 1.73 billion in 2007 and rising to USD 2.73 billion the next year. Remittances have been on a steadily increasing trend thereafter, seeing another huge bump from 2017 to 2018 (Figure 3.1a). The latest year for which the data is available, 2023, saw Nepal receive USD 10.76 billion in remittances—an increment of 200 times in 30 years (Figure 2.1a).

The rate of growth in remittance volume in the last two decades appears to be even more significant in Nepali currency due to the depreciation of Nepali rupee against the US dollar over time. While remittance increased by 14 times in USD value between 2014 and 2024 the increment in Nepali currency was much higher, 24 times (Figure 2.1b).

Figure 2.1b: Amount remitted to Nepal, 2001 to 2024 (in billion NPR)

Note: The years refer to the ending year of each fiscal year.
Source: NRB

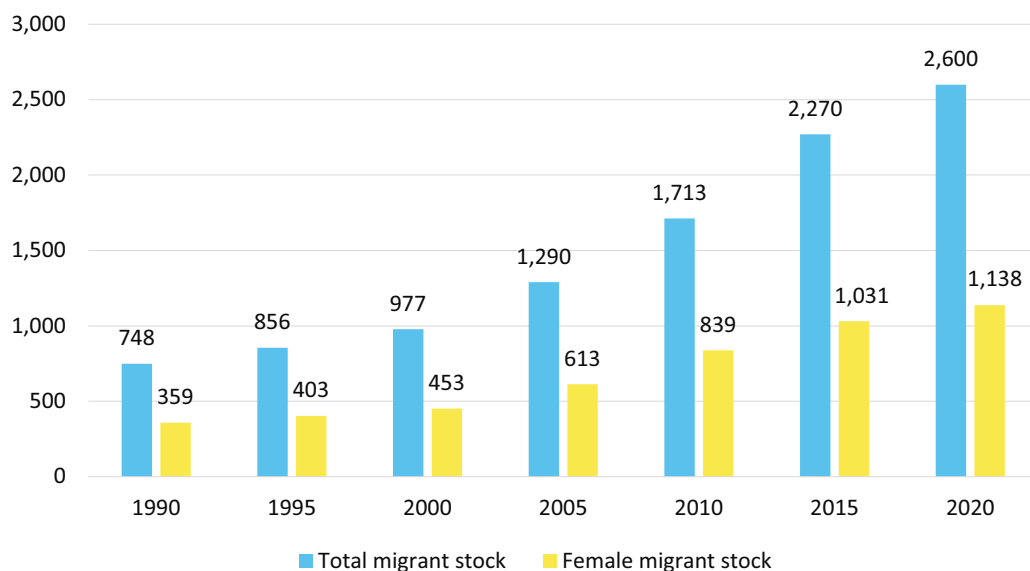
2.1.1 Remittances and Migrant Stock

The inflows of remittances to Nepal are associated with the volume of labour migration from Nepal, beginning with India and then to diverse destinations in Asia and Europe (Seddon et al 2002; Sharma and Thapa 2013; MoLESS 2022). According to the data on international migrant stocks from the United Nations Department of Economic and Social Affairs (UNDESA), the number of Nepali migrants saw a nearly four-fold growth in the last three decades, from 748,053 in 1990 to 2.6 million in 2020, with women making 43.8 per cent of that number (Figure 2.2).⁵

The UNDESA, however, does not fully capture the number of Nepali migrant population in foreign countries particularly after 2005, and overestimates the share of women in total migrants (with, for instance, women making around half the migrants, see Figure 2.2). The figures look unrealistic and are not supported by surveys conducted in Nepal or by the data on labour permits provided by the Department of Foreign Employment of Nepal

⁵ International migrant stock is defined as ‘the number of people born in a country other than that in which they live’. This data also includes refugees. UNDESA provides sex-disaggregated data with migrants’ countries of origin from 1990 onwards at five-year intervals.

Figure 2.2: Trend of Nepali migrant stock, 1990 to 2020 (in '000)



Source: UNDESA, 2020

Figure 2.3: Number of remitters, 1996–2023 (in '000)



Source: NLSS I–IV

for migration to countries beyond India.⁶ NLSS III and NLSS IV estimate the number of absentees (household members staying abroad or expected to stay abroad for more than six months in a given year) to be 2.7 million in 2011 and 3 million in 2023, with women making only 13.2 per cent and 16.7 per cent of total absentees respectively.⁷ According to the NLSS IV, Asia hosts most of the Nepali migrants, with India, Qatar, Malaysia, Saudi Arabia and the UAE having the highest numbers. There is also a sizeable Nepali migrant population in the high-income countries of Australia, Japan, USA and the UK (Table 2.2).⁸

Table 2.2: Major destinations of Nepali migrant population (absentees), 2023

	Men	Women	Total
World	2,513,123	504,112	3,017,235
Country/Region			
India	866,359	222,011	1,088,371
Qatar	332,655	8,655	341,310
Malaysia	313,729	6,522	320,251
Saudi Arabia	310,349	6,582	316,931
UAE	217,305	36,552	253,857
Australia	71,333	60,329	131,662
Japan	54,063	37,313	91,376
USA	45,573	17,068	62,640
South Korea	40,568	3,009	43,577
UK	20,502	12,486	32,988
Hong Kong	16,760	12,470	29,230
Bahrain	17,537	1,861	19,398
Canada	10,173	5,881	16,054
Romania	14,207	899	15,106
Israel	4,408	1,016	5,424

Source: NLSS IV

- 6 The NLSS also underestimates the number of migrants from Nepal, particularly to India, due to the exclusion of seasonal migrants who are or will be in a foreign country for less than six months during the survey year (and thus do not qualify to be a 'migrant'). The estimates of UNDESA are even lower than that of the NLSS.
- 7 Only NLSS III and IV collected data on absentees. NLSS I and II collected data only on remitters, without disaggregating remittances sent by absentee household members and other remitters.
- 8 The migrant stock data of UNDESA has not been used in the analysis here due to lower figures for many destination countries, including the UAE. The study team finds the NLSS estimates of Nepali migrant population more realistic and representative of the reality, after triangulating it with the data on labour

As per the data on remitters (which also include those sending remittances to the households other than absentee members), as reported by the remittance-recipient households, 3.6 million people had sent money to Nepali households in 2023.⁹ The data also shows an eight-fold growth in the number of remitters in the last three decades, and a significant increase in the number of female remitters in the same period, with women comprising one-fifth of total remitters in 2023 (Figure 2.3).

Various factors have contributed to the significant growth of the migrant population and remitters abroad. The legal regime governing migration in Nepal has undergone monumental changes between 1996 and 2023. Although the Foreign Employment Act, 1985, built institutional mechanisms to make labour migration from Nepal to destinations other than India possible, the Act was primarily enacted not to facilitate but to regulate and restrict labour migration from Nepal, as is evident from its preamble (Sijapati and Limbu 2017). But the government altered its restrictive policies and took a more facilitating stance with the formulation of the Foreign Employment Act, 2007, due to the continued increasing outflow of migrant workers from Nepal, the turbulence caused by the Maoist insurgency (1996–2006), and also in consideration of the positive benefits accruing from the inflows of remittances. Thus, the liberalisation of the migration regime during the 2000s along with the opening up of the labour market of the Gulf countries and Malaysia to Nepali workers as well as various ‘push’ factors in Nepal including the (perceived) reduction of prospects within the country led to a spate of outmigration from Nepal (Sijapati and Limbu 2017; Randeree 2012; Acharya 2024).

2.1.2 Source Countries of Remittances

Most of the remittances in Nepal are received from the major destinations of Nepali migrant workers. The NLSS IV shows that the largest volume of remittances was received from India, the top destination of Nepali migrants, followed by the Gulf states of Saudi Arabia and Qatar. Estimates based on the NRB data on total remittances received in Nepal for the year 2022/23 show that Nepal received over USD 1 billion from each of these three countries, while the amounts transferred from Malaysia and the UAE were also close to USD 1 billion (Table 2.3). Similarly, more than USD 500 million each was remitted from Australia and USA while migrant workers based in South Korea and Japan, other popular labour destinations of Nepali migrant workers, sent home over USD 400 million.

These estimates of the bilateral remittance transfers are comparable to the World Bank’s

permits issued by the Government of Nepal. The NLSS estimate seems off only in the case of India as seasonal migrants to India are not captured in this survey.

9 The number of remitters is significantly higher than the number of absentees in 2023. There are two main reasons for this: i) exclusion of anyone residing abroad and those migrating for less than six months from the ‘absentee’ population but inclusion in the remitter data, and ii) multiple counting of the remitters sending remittances to multiple households.

Table 2.3: Bilateral remittance flows to Nepal, 2023

Country/region	Share of total remittances (%)	Estimated amount (in million NPR)	Estimated amount (in million USD)*
India	13.9	172,455.4	1,319.0
Saudi Arabia	13.7	169,974.0	1,300.0
Qatar	12.5	155,085.8	1,186.1
Malaysia	10.5	130,272.1	996.3
UAE	10.5	130,272.1	996.3
Australia	7.9	98,014.2	749.6
USA	5.5	68,237.8	521.9
South Korea	5.1	63,275.0	483.9
Japan	4.4	54,590.2	417.5
Hong Kong	2.9	35,979.9	275.2
UK	1.6	19,851.0	151.8
Other countries	11.5	142,678.9	1,091.2
Total	100.0	1,240,686.4	9,489.0

Note: Calculations on remittance share of each country/region is based on NLSS IV; estimates on bilateral remittance amounts are based on NRB data of total remittance for 2022/23.

*Conversion rate of 2022/23 average, USD 1= NPR 130.75 (Source, NRB, Quarterly Economic Bulletin, July 2024.)

Table 2.4: Bilateral remittance inflows, 2021 (in million USD)

Country/region	Remittance inflows in 2021
Saudi Arabia	1,692
Malaysia	1,685
India	1,583
Qatar	1,099
USA	684
Australia	467
UK	225
Republic of Korea	137
UAE	106
Hong Kong	38
Others	488
Total	8,203

Source: World Bank Bilateral Remittance Matrices, 2021

estimations.¹⁰ However, the World Bank grossly under- as well as over-estimates remittances from some of these bilateral corridors, such as from Malaysia and the UAE, due to under-/over-estimates of the migrant stocks in those countries, on which the World Bank bilateral remittance estimates are based (Table 2.4; also see Section 2.1.1).

2.2 Nepal's Global Standing as a Remittance Recipient

Nepal received only a small share, USD 10.8 billion, of the USD 822.3 billion of global remittances in 2023, while neighbouring India, which leads the table, received nearly USD 120 billion. However, the significance of remittances turns out to be much higher for the Nepali economy compared to the top remittance-receiving countries, such as India, Mexico and the Philippines, when the size of remittance is examined in relation to the size of the country's GDP (Table 2.5). While remittances were equivalent to less than 1 per cent (0.8 per cent) of the GDP at the global level in 2023, and 3.4 per cent in case of India, they were equivalent to over a quarter of Nepal's of Nepal, one of the highest in the world (Table 2.5; Figure 2.4).

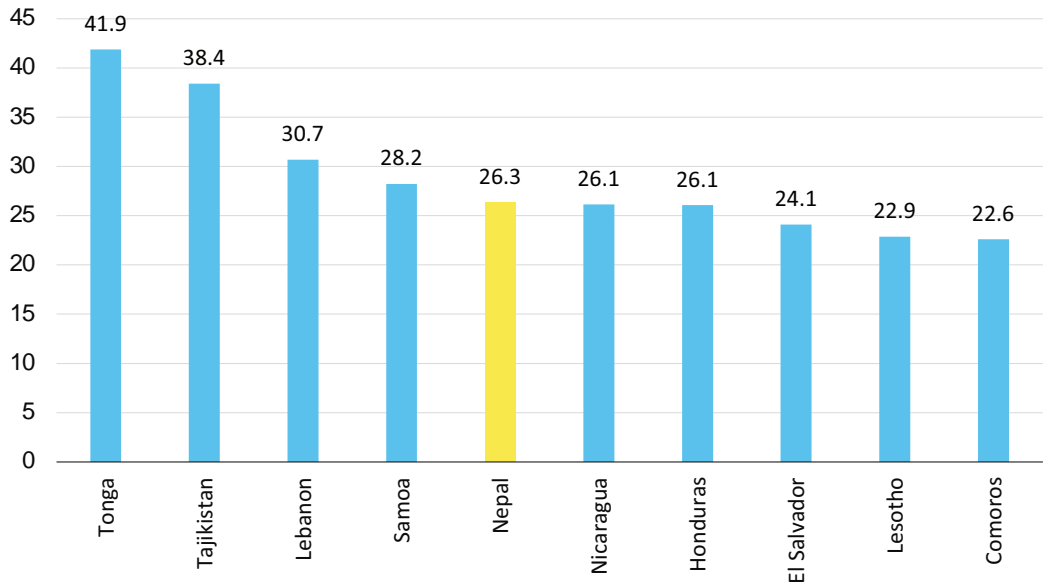
Table 2.5: Highest remittance-receiving countries and Nepal, 2023

Ranking	Country/Region	Remittance received (in billion USD) [†]	Remittance-to-GDP ratio (%) [†]
1	India	119.5	3.4
2	Mexico	66.2	3.7
3	Philippines	39.0	8.9
4	France	36.9	1.2
5	China	29.1	0.2
6	Pakistan	26.6	7.9
7	Bangladesh	22.1	5.1
8	Germany	21.0	0.5
9	Guatemala	19.9	19.1
10	Nigeria	19.5	5.4
11	Nepal	10.8	26.3
	South Asia	185.4	4.1
	Lower Middle-Income Countries	369.5	4.9
	World	822.3	0.8

Source: World Bank

10 Bilateral remittances are estimated using migrant stocks, host country incomes, and origin country incomes. Bilateral remittance matrices are available for each year from 2010 through 2017 and 2021.

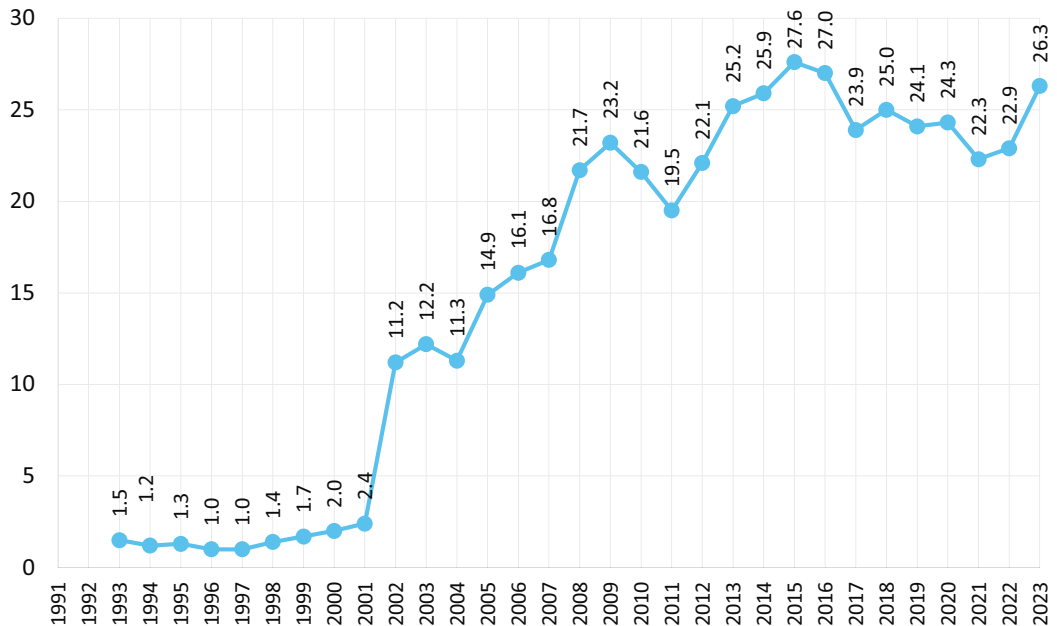
Figure 2.4: Top-ranking countries in terms of remittance-to-GDP ratio, 2023



Source: World Bank

Note: The data for Tonga and Lebanon is from 2022, the latest available.

Figure 2.5: Remittances as percentage of Nepal’s GDP, 1993–2023



Source: World Bank

The analysis of remittance-to-GDP ratio in the last three decades shows a remarkable increase in the rate in the decade of 2000s. While remittances were equivalent to less than 3 per cent of Nepal's GDP in 2001, the remittance-to-GDP ratio surpassed 11 per cent in 2002, crossed 20 per cent in 2008, and reached a peak of 27.6 per cent in 2015 (Figure 2.5).

Although there have been some fluctuations, remittance inflows to Nepal have consistently been equivalent to about a quarter of Nepal's GDP every year since 2013.

2.3 Significance of Remittances in Nepal's Macro Economy

The significance of remittances is observed in different aspects of Nepal's economy. The contribution of remittances in Nepal's foreign exchange earnings cannot be overstated while its positive relationships are also noticed in the country's overall tax revenues and investments.

2.3.1 Remittances and Convertible Forex Earnings

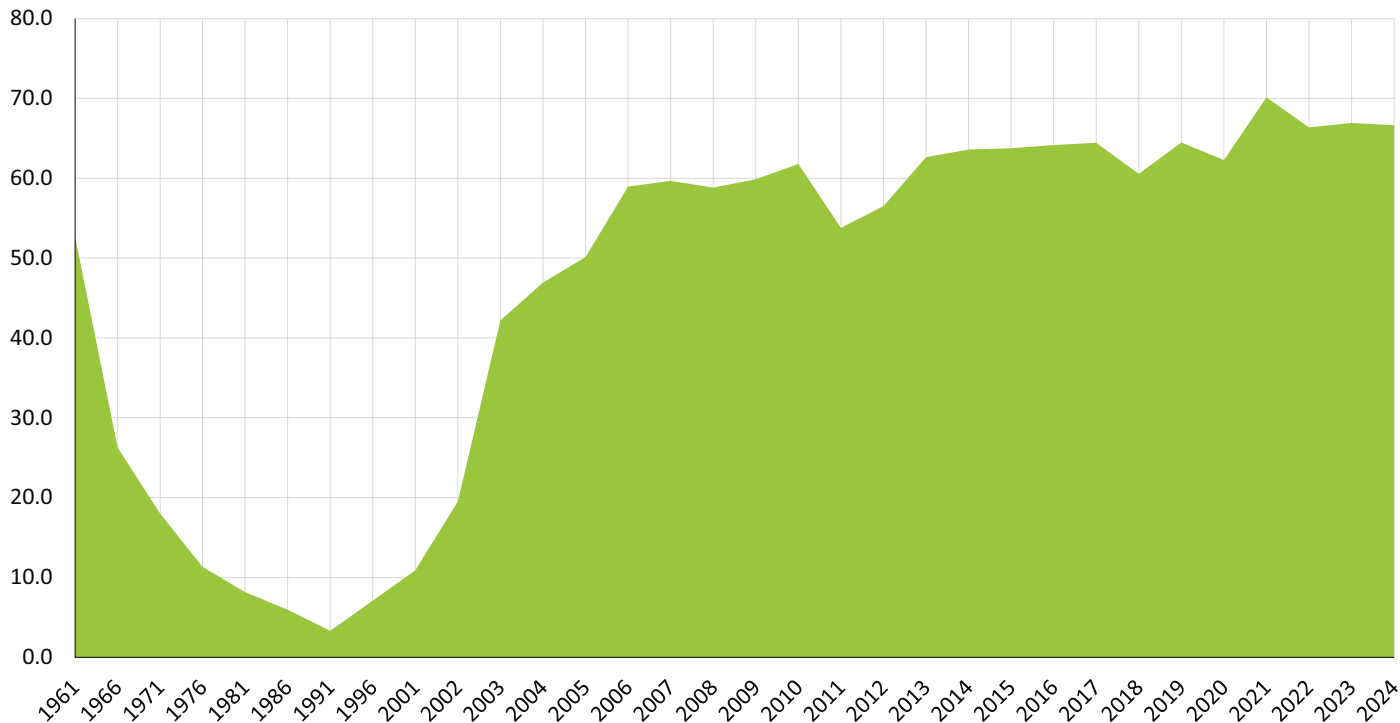
Besides the remittance-to-GDP ratio, a high dependence of Nepal's economy on remittance is also observed when the sources of convertible foreign exchange earnings are examined.¹¹ A review of the convertible foreign exchange earnings of Nepal in the last six decades shows that remittances were the most important source of convertible foreign exchange in the early 1960s, making over half of the total earnings (Figure 2.6).

The significance of remittances in Nepal's convertible foreign exchange declined from the late-1970s to the early-2000s, with increases in both tourist income and volume of foreign aid that had begun trickling into Nepal with the start of 'international development' programmes in the 1960s and 1970s (Figures 2.6 and 2.7).¹² The scenario underwent a change in the mid-2000s, with remittances gradually overtaking the other three major sources of foreign exchange—foreign aid, tourism and exports. The share of remittances in the total foreign exchange earnings of Nepal surpassed 50 per cent in 2004/05 and it has been about two-thirds since 2020/21 (Figure 2.6). In 2022/23, remittances, with a contribution of NPR 1.07 trillion worth of convertible foreign exchange, overshadowed by far the income from foreign aid (NPR 153.2 billion), exports (NPR 82.4 billion), and tourism (NPR 57.9 billion). As such, there is a very strong relationship between the size of remittances received and the surge in the volume of total international reserves of Nepal in the last two decades, from USD 1.5 billion in 2004 (with convertible foreign exchange of USD 1.3 billion) to USD 16.46 billion in 2024 (with convertible foreign exchange of USD 10.5 billion) (NRB Quarterly Economic Bulletin, July 2024).

11 The analysis in this sub-section is limited to convertible foreign exchange only due to the lack of historical data (prior to 2001) on inconvertible forex income.

12 For instance, the USA established its aid agency in 1961 while Germany and Japan followed the suit in 1970s.

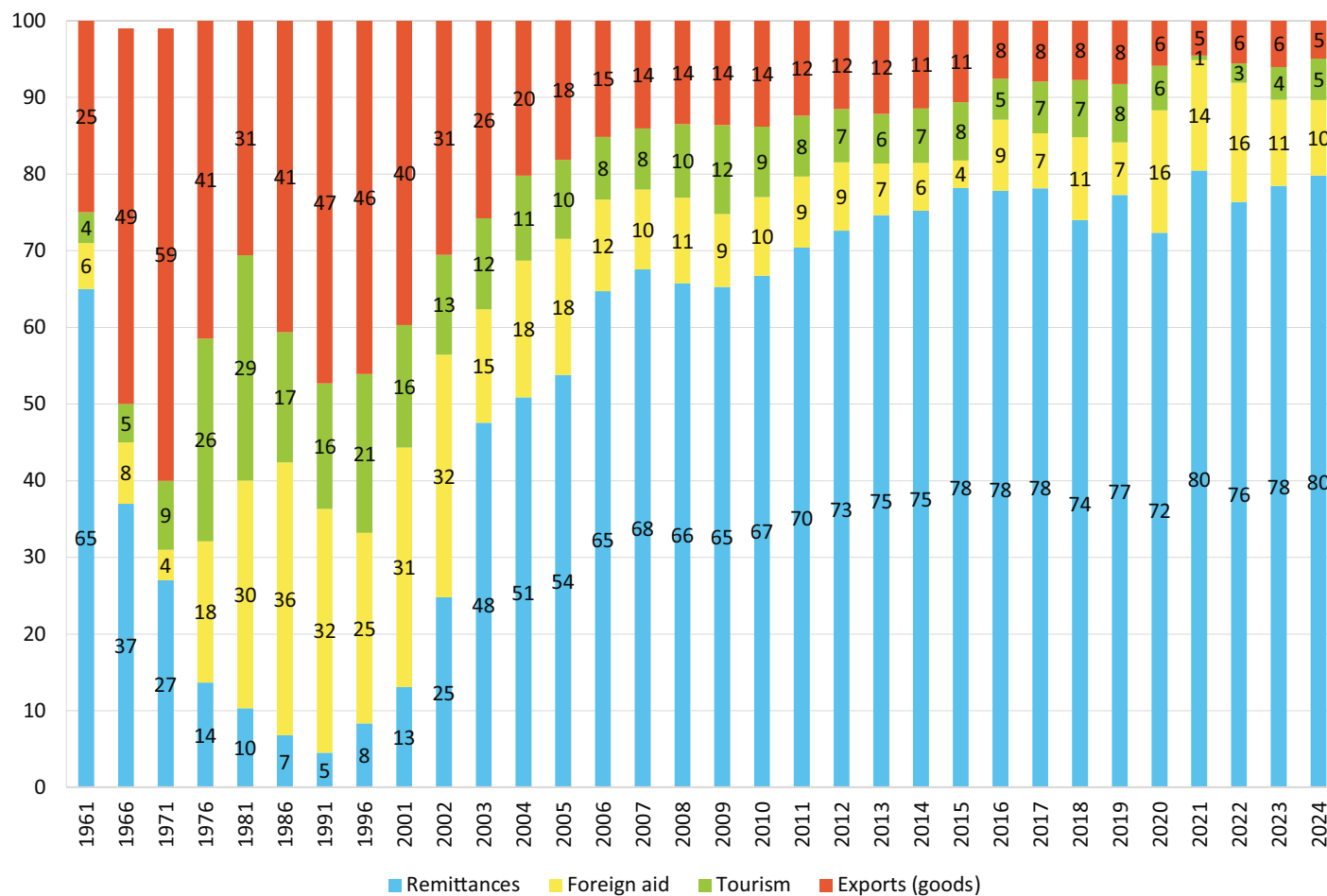
Figure 2.6: Contribution of remittances in total convertible foreign exchange earnings, 1961–2024 (%)



Source: NRB Quarterly Economic Bulletin, Mid-October 1987 for data from 1961 to 1981; NRB Quarterly Economic Bulletin, July 2024 for data from 1986 to 2024.

Note: Data based on convertible foreign exchange records. The years in the figure refer to the ending year of each fiscal year. Data for 2023/24 is projected only.

Figure 2.7: Convertible foreign exchange incomes from remittances, tourism, foreign aid and exports, 1961–2024 (%)



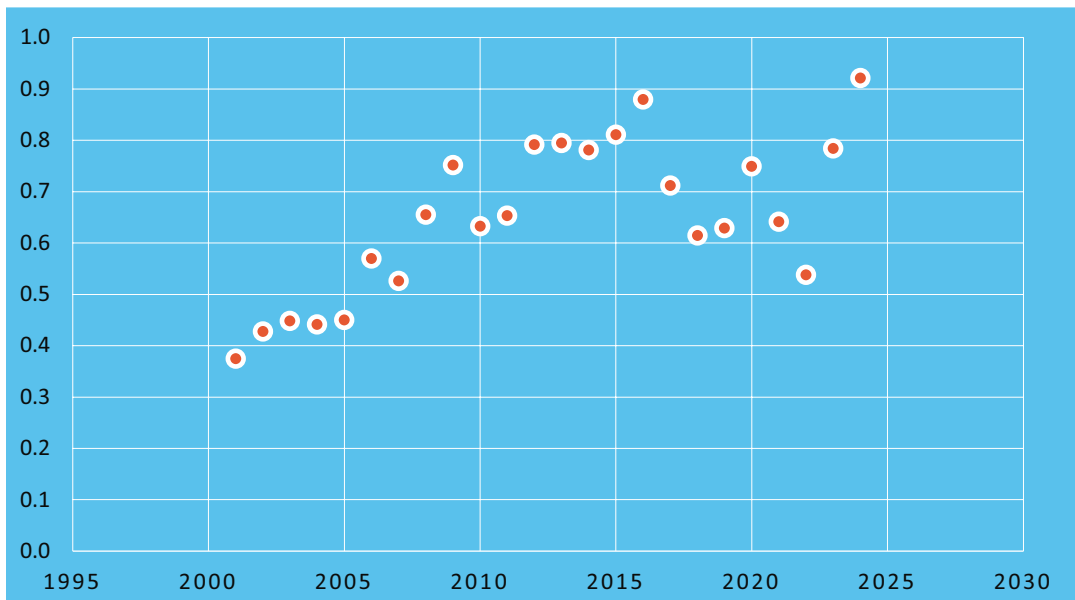
Source: NRB Quarterly Economic Bulletin of different periods

Note: Data based on convertible foreign exchange records; data for 2023/24 is projected only. The years in the x-axis refer to the ending year of each fiscal year.

Foreign exchange reserves provide a safety net against sudden reversals in capital flows (Fukuda and Kon 2010), as evidenced during the COVID-19 pandemic, and are utilised by a country to fulfil its BoP requirements as well as to stabilise the currency's exchange rate (IMF 2009b). Since the Nepali rupee is pegged to the Indian rupee, presently at NPR 160 to INR 100, Nepal's currency fluctuation relative to others like the US dollar reflects fluctuations of the Indian currency. The pegged system has provided the Nepali currency with stability in the international market. It is the NRB's role to keep the exchange rate with the Indian currency constant. Whenever there is an increase in demand for Indian rupees, and the likelihood of depreciation of Nepali currency against the INR, the NRB purchases Indian currency through its foreign exchange reserves to increase the supply of Indian rupees (Nepal Rastra Bank 2018). By being the primary contributor to Nepal's foreign exchange reserves, remittances also help stabilise the country's monetary regime.

The aftermath of the COVID-19 pandemic saw the near-complete decimation of income from tourism and also a drastic decrease in foreign aid received by Nepal (Figure 2.7). With the Russia-Ukraine conflict causing inflation in the global market, the rising import bill of Nepal became a matter of concern and the country's economic predicament was expected to turn dire if circumstances did not improve. That precarity, however, was attenuated and eventually averted by the continued increment in remittance inflows and their contribution to foreign exchange reserves. It has been pointed out that the stability provided by remittances

Figure 2.8: Remittance-to-imports ratio, 2001–2024



Source: NRB, Summary of Balance of Payment (2000/01–2023/24).

Note: Data based on balance of payments records. The years in the x-axis refer to the ending year of each fiscal year. The data for 2024 is only a projection.

helps to compensate for the cyclical nature of other foreign exchange earnings, and the same can also be used as securitisation to access foreign capital (Mohapatra et al 2012).

2.3.2 Remittances-to-Imports Ratio in Nepal

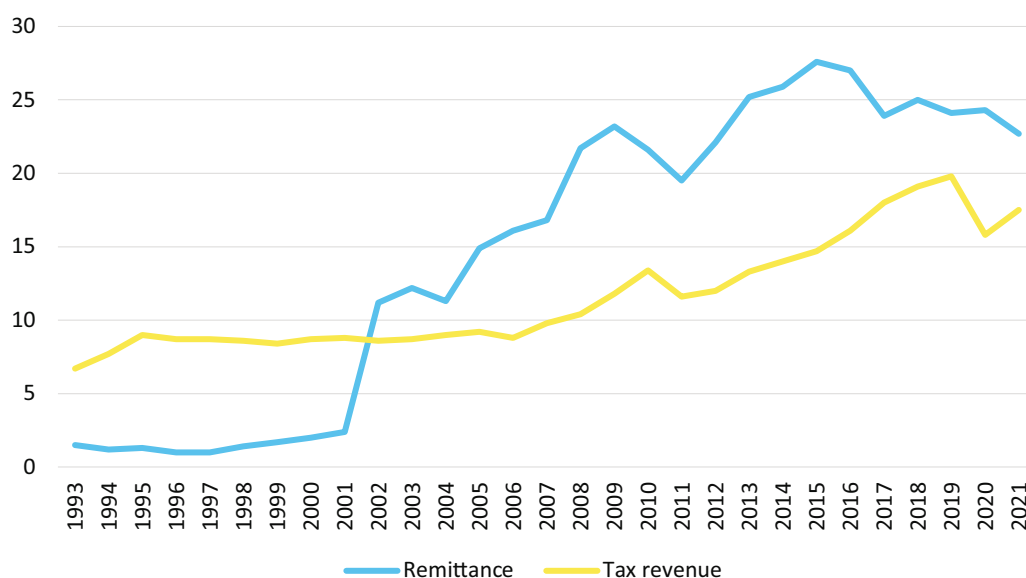
In the context of the import-dependent economy of Nepal, remittances have been providing a lifeline to the country's economy, compensating for the mammoth trade deficit every year. Since the fiscal year 2006/2007, remittances have equalled at least half the value of goods imported into Nepal, and very close to all the imports in 2023/24 (Figure 2.8).

2.3.3 Remittances and Tax Revenues and Investments

In Nepal's context, because the government relies heavily on indirect, trade-related taxes for revenue, the fuelling of imports due to an increase in remittances as well as remittance investment in sectors such as real estates, have led to a drastic rise in public revenue. Tax revenue has increased, from 6.7 per cent of GDP in 1993 to 17.8 per cent in 2021, with a peak of 19.8 per cent in 2019 (Figure 2.9). The correlation between tax revenues and remittance inflows is clearly observed, with substantial increments in both in the post-2006 period.

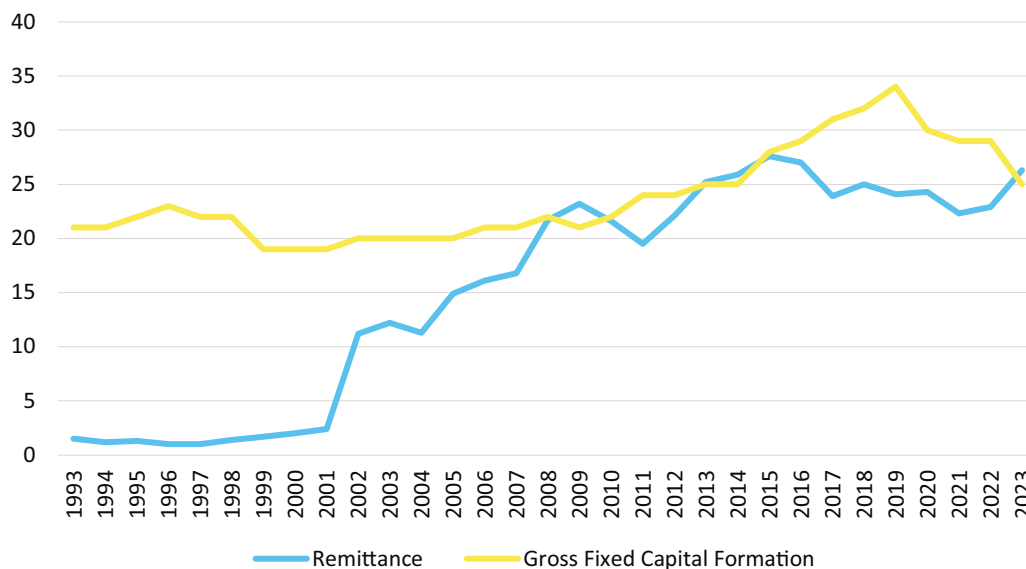
Investment has also soared since 2010, with a marked increase in the availability of credit for the private sector. There is a positive relation between remittance inflows and gross fixed capital formation (GFCF), which covers net public and private investments (Figure 2.10). From 21 per cent of the GDP in 1993 and a stagnation until 2010, the rise of the GFCF to

Figure 2.9: Relation between tax revenues and remittances, 1993–2021 (as % of GDP)



Source: World Bank

Figure 2.10: Relation between remittances and gross fixed capital formation, 1993–2021
(as % of GDP)



Source: World Bank

a high of 34 per cent of GDP in 2019 is coincidental with the rise in remittances. Similarly, domestic credit increased exponentially, amounting to 105 per cent of GDP in 2021; a figure that was only 30 per cent of GDP in 2002 (World Bank, n.d.[c]).

2.3.4 Remittances and Gross Domestic Product

The relationship between remittance inflows and GDP growth in Nepal appears quite weak. While the size of Nepal's GDP increased eight-fold, from USD 5.5 billion to USD 40.83 billion between 2000 and 2022 (World Bank, n.d.[d]), remittance inflows increased by over 83 times, from USD 111 million to USD 9.29 billion in the same period (World Bank, n.d.[a]). Multiple studies have shown that the impact of remittances on domestic GDP in Nepal is unclear. Some have found a causal relationship between remittances and increases in GDP in the short run but which have not carried over the long run (Dhungel 2014). Others have found no statistically significant relationship between the two (Dahal 2022). The reasons for this could be manifold. As illustrated above, remittances do ease the credit constraints in a country and foster consumption and investment. But remittances also fuel imports, cause exchange rate appreciation, which can damage the tradable sector and thus exports, and also depress the economic activity of families back home. Nepal has been deemed to be caught in a 'low-growth, high-migration equilibrium' characterised by lowered external competitiveness and productivity (World Bank 2017, 6). Such a confluence of

effects means a concrete relationship between the two is difficult to decipher and establish. Other reasons for this have also been provided in scholarship, such as the prevalence of measurement issues in the past, which have now been resolved, overstating the incremental trend of remittances in recent times and issues with capturing the relationship through inferential statistics (Clemens and McKenzie 2018).

Post-World War I Deluge of Remittances

In his book *Tyas Bakhatko ko Nepal* (Nepal of Those Times) (1982), Bhim Bahadur Pande draws on his experience of growing up in Syangja in the Western Hills to paint a poignant picture of the economic and social impact of remittances—repatriated by 200,000 Gurkhas who fought in the First World War—on Nepali society. Pande claims the Gurkhas sent home approximately NPR 130 million, at a time when the annual revenue of the Nepali state only amounted to around NPR 1 to 1.5 million. Factoring in inflation, NPR 130 million would have been around NPR 13 billion in 1982, when the book was published.

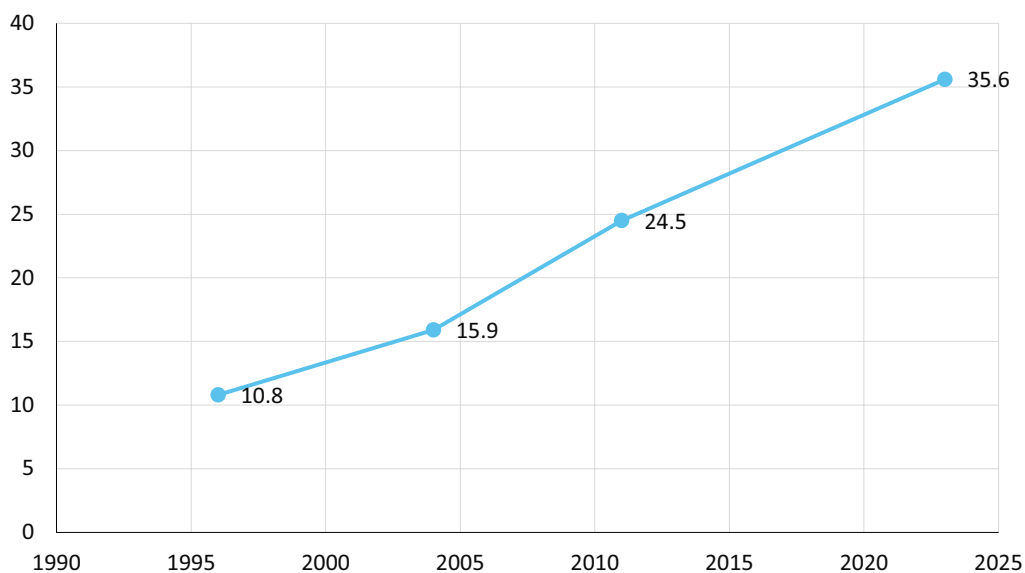
The Gurkhas returned home in swarms along with porters carrying their money, generating far-reaching multiplier effects around the Bhairahawa–Butwal road. The amounts they brought back and spent had lasting implications for Nepal's economy. Pande observes that the Nepali state, instead of taking a long-term approach, decided to increase its indirect tax revenues by opening up imports primarily for consumption by remittance-rich households rather than investing the amount in productive sectors. The Rana regime introduced the practice of *jagaat*, meaning taxation per district, with Pande giving the example of taxes levied on goods seven times when transported from Bhairahawa to Pokhara.

The book highlights the negative consequences engendered by the sudden inflow of such monumental sums of money: inflation that plagued unsuspecting villagers in particular along with the opening up of the trade route with India and ruined Nepal's domestic production. The revenue extorted by the Ranas went into the national treasury to be used as their private accounts. The government could have directed the prodigious inflow of capital towards productive measures, particularly the nascent industrial sectors. Instead, by encouraging imports, the government nudged the public towards conspicuous consumption, leading to the eventual development of Nepal's import-dependent economy. Pande claims the whole endeavour was instrumental in instilling a culture of migration in Nepali society that remains pervasive till date.

3. Remittances at Household Level

Using data from Nepal Living Standards Surveys of 1995/1996 (NLSS I), 2003/2004 (NLSS II), 2010/2011 (NLSS III) and 2022/23 (NLSS IV), this chapter discusses the characteristics of remittances received by Nepali households between the years 1996 and 2023 and also of remitters making those transfers.¹³ (It should be noted that specific editions from the NLSS series have been excluded from analysis in certain parts due to lack of [comparable] data.) Here, a ‘remitter’ is defined as someone residing outside Nepal and remitting to the surveyed households in Nepal during the reference year (within 12 months prior to the survey), and ‘remittance’ is the total amount, both cash and in-kind, remitted to the surveyed households during the same period.

Figure 3.1: Percentage of households receiving remittances in Nepal, 1996–2023



Source: NLSS I-IV

¹³ The ending year of the survey has been used to refer to the year whenever a single year is used. For instance, the year 1996 is used for 1995/1996.

3.1 Remittance-Recipient Households

There has been a tremendous growth in the proportion of Nepali households receiving remittances from abroad in the reference period of nearly three decades—1996 to 2023. While about one-tenth (10.8 per cent) of Nepali households received remittances in 1996, this proportion increased by over three times to reach 35.6 per cent (or, over a third of total households in Nepal) in 2023 (Figure 3.1).

The average amount received by households has significantly increased over the years, from just NPR 18,215 in 1996 to over NPR 300,000 in 2023—a seventeen-fold increase in 27 years.

However, after accounting for the depreciation of Nepali currency in relation to the US dollar over time, the growth rate in average remittance size turns out to be a bit modest—only seven times more (Table 3.1).

Table 3.1: Average remittance received by households in a year, 1996–2023

Year	NPR	USD	Conversion rate* (NPR per USD)
1996	18,215	330	55.2
2004	52,825	716	73.8
2011	119,954	1,660	72.3
2023	315,539	2,413	130.7

Source: NLSS I-IV

*The conversion rate used for each survey year is the average exchange rate for the corresponding fiscal year provided in NRB Quarterly Economic Bulletin, July 2024.

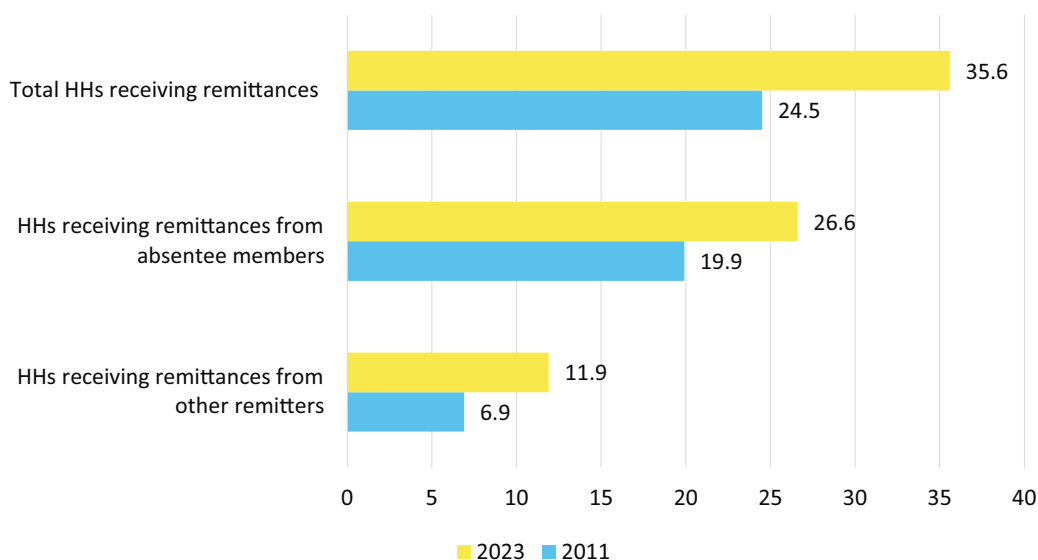
3.2 Sources of Remittances

There were two broad categories of remitters: i) household members staying abroad or expected to stay abroad for more than six months in a given year (defined as ‘absentees’ in NLSS III and IV, and referred as ‘absentees’ or ‘absentee members’, hereafter), and ii) ‘other’ remitters, i.e. anyone other than the absentee household members (referred as ‘other remitters’ hereafter).¹⁴ As expected, most remittances were sent by absentee members of the households in both 2011 and 2023.¹⁵ However, a substantial proportion of Nepali households also received remittances from the other remitters in both years, 6.9 per cent in 2011 and 19.9 per cent in 2023 (Figure 3.2).

14 The ‘other’ remitters appear to be non-household members, such as relatives and extended or immediate family of remittance recipients, as well as seasonally migrating household members who live outside home for less than six months in a year. Detailed analysis of remitters in this paper is conducted on all remitters (combining both absentee member remitters and other remitters).

15 In NLSS I and II, the data was collected on all remitters without disaggregating for absentee household members and other remitters.

Figure 3.2: Households receiving remittances from absentee members and other remitters, 2011–2023 (%)



Source: NLSS III & IV

The other remitters made up 25.7 per cent of the total remitters in 2011 and 37 per cent in 2023 and their contributions in the total remittances received in Nepali households were, respectively, 9.1 and 8 per cent. The other remitters remitted a smaller amount compared to absentee household members. While absentee remitters remitted home over NPR 300,000 on average, the amount remitted by the other remitters was significantly lower, less than NPR 50,000 in 2023. A similar trend was also observed in 2011, when absentee members remitted more than three times more on average than the other remitters (Table 3.2).

A deeper examination of the location of both absentee remitters and other remitters, and their relationship to remittance recipients suggests that the ‘other remitters’ were mostly absentees from some other households sending remittances to multiple households, including their own. This group of ‘other remitters’ also included migrating household members who were migrating for seasonal work in India for less than six months in a year (thus not

Table 3.2: Average amount remitted by absentees and other remitters, 2011–2023 (NPR)

	2011	2023
Absentee HH members	114,435	327,166
Other remitters	33,108	48,780
All remitters	93,516	224,744

Source: NLSS III & IV

Table 3.3: Absentee and other remitters' relationship with remittance recipient, 2023 (%)

	Absentee member remitters	Other remitters
Sons and daughters	47.9	21.0
Spouse	40.7	1.3
daughter-in-law or son-in-law	3.6	2.4
Siblings	3.0	35.2
Parents	2.0	14.5
Other family or relative	2.0	24.6
Grandchild	0.9	1.0
Total	100	100

Source: NLSS IV

Table 3.4: Ratio of other remitters to absentee remitters across locations, 2023

Country and region	Ratio
Canada	2.4
USA	1.8
Hong Kong	1.5
India	1.1
UK	1.1
Australia	0.8
Japan	0.7
UAE	0.4
South Korea	0.3
Qatar	0.2
Saudi Arabia	0.2
Malaysia	0.1
Other countries	0.4
Total	0.6

Source: NLSS IV

qualifying to be considered 'absentees' per se). While most of the absentee remitters were children and spouses of recipients, the other remitters were a diverse group, consisting of siblings, children, parents and other relatives and family members, among others (Table 3.3). Some remitters based in countries such as Australia, Canada, Japan, and the USA, which offer permanent or long-term residency to migrants, are likely to be non-resident Nepalis and considered non-household members but who nonetheless remit to their family and relatives

in Nepal. In 2023, these countries had significantly higher ratios (>1) of other remitters to absentees compared to the major labour destinations such as the GCC countries and Malaysia, where chances of permanent residency are non-existent for Nepali workers. This suggests that a significant proportion of remitters from these countries are not captured in the international ‘absentee’ data. A very high ratio (>1) of other remitters to absentee remitters in the case of India, however, suggests a different scenario – exclusion of many seasonal migrants from the data on absentee population and thus recording of their remittance transfers as ‘other remittances’ in the NLSS data (Table 3.4).

3.3 Size of Remittance

The size of remittances per remitter has grown significantly over the three decades. While, on average, each remitter sent NPR 16,227 in 1996, the amount had increased to NPR 224,744 by 2023, a 14-fold increment. However, in terms of the USD value, the rate of average increment turns out to be less dramatic, with only a six-fold growth, from USD 294 to USD 1,720 (Table 3.5).

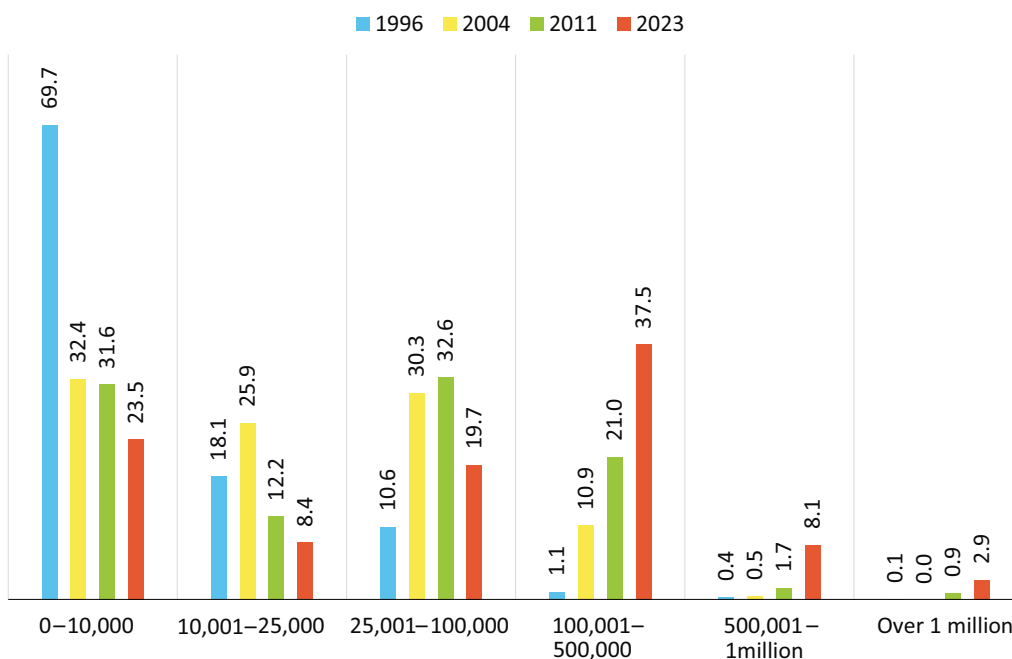
Table 3.5: Average remittance size per remitter, 1996–2023

Years	NPR	USD*
1996	16,227	294
2004	49,564	672
2011	93,516	1293
2023	224,744	1720

Source: NLSS I-IV

*The conversion rate used for each survey year is the average exchange rate for the corresponding fiscal year provided in NRB Quarterly Economic Bulletin, July 2024.

A sharp rise in average remittance size was noted between 1996 and 2004, and this growth was associated with the migration of a sizeable Nepali workers to relatively higher-income destinations of the GCC countries by 2004. While nearly all remitters (91.8 per cent) resided in India in 1996, that had declined to 64.4 per cent by 2004. Further decline in the proportion of India-based remitters was observed in the next two decades, reaching 44.3 per cent in 2011 and 40.6 per cent in 2023 (see Section 3.4). The main reason for the increase in the average size of remittance after 2004 is the continuous shift in labour migration towards relatively higher income destinations, such as Europe, North America and higher income countries of Asia. Furthermore, the last two decades have also witnessed a sizeable number of education migrants heading to high-income countries and remitting home (see Section 3.7).

Figure 3.3: Distribution of remitters by remitted amount, 1996–2023 (in NPR)

Source: NLSS I-IV

As shown in Figure 3.3, the share of remitters sending less than NPR 10,000 has drastically decreased over the last three decades while the proportion of those in the higher remittance brackets has increased significantly. In 2023, the highest proportion of remitters (37.5 per cent) transferred between NPR 100,001 and 500,000, with full 11 per cent sending more than NPR 500,000.

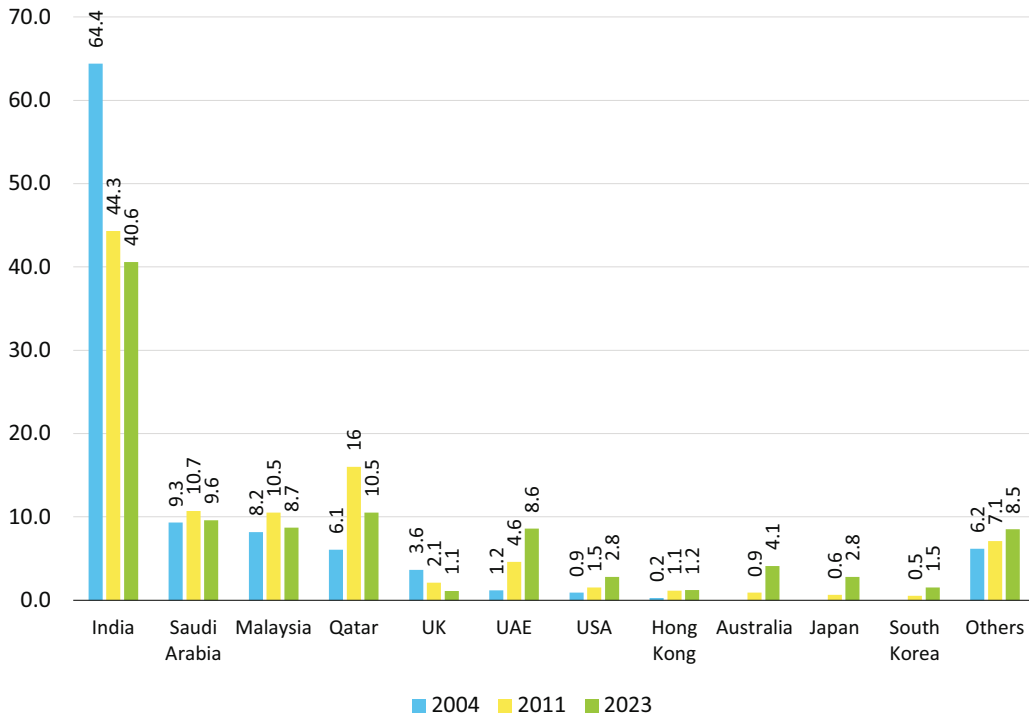
3.4 Remitters' Location

India continues to be the pre-dominant country of residence of remitters, but that proportion has gone down from 91.8 per cent in 1996 to a still-significant 40.4 per cent in 2023 (Figure 3.4).¹⁶ Despite the high number of remitters from India though, its share in the volume of remittances transferred to Nepal is much lower, indicating the relatively low incomes of migrants there.

The GCC countries and Malaysia remain important source countries of remittances for Nepal with their proportions quite stable over the last two decades, 2004 to 2023. The

¹⁶ The statistics from the NLSS I have not been presented in Figure 3.4 as the dataset considers the Middle East a single whole and many countries have been grouped into the 'other countries' category.

Figure 3.4: Remitters by location, 2004–2023 (in %)

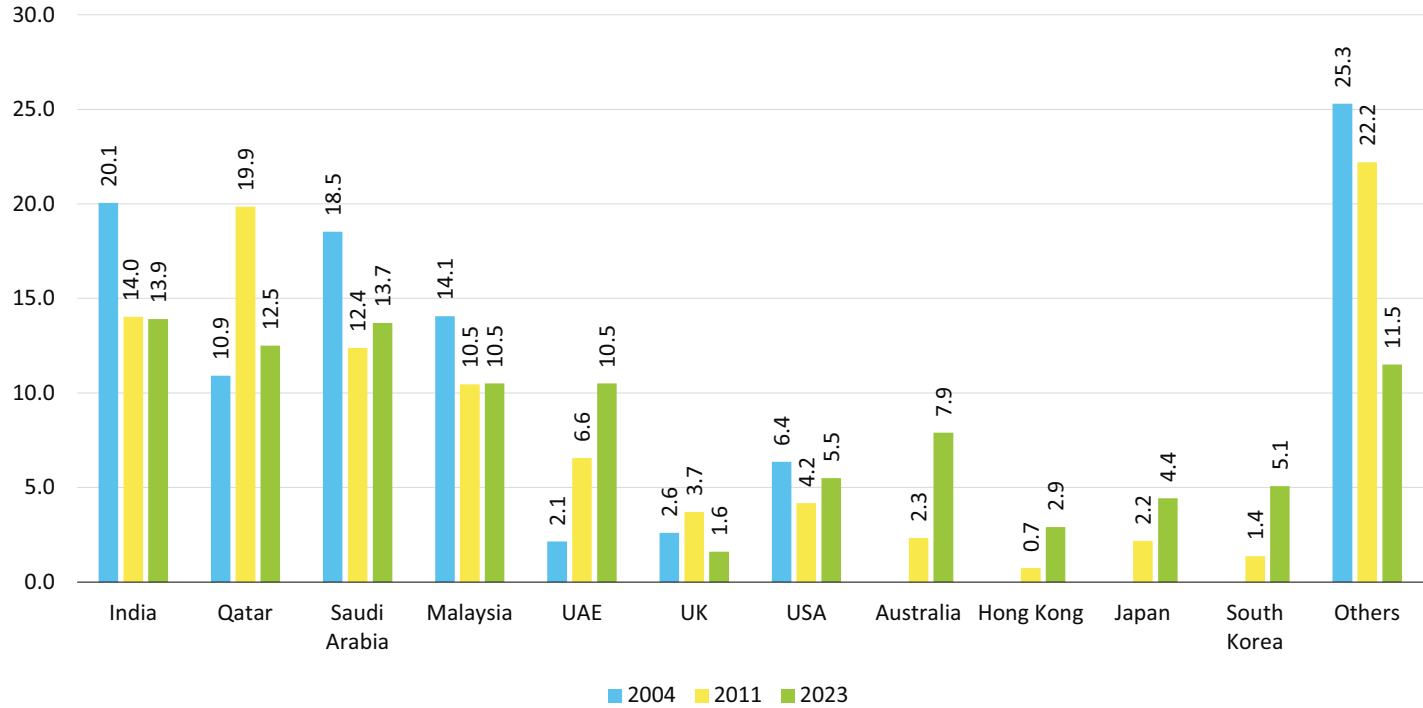


Source: NLSS II-IV

2023 data (NLSS IV) shows the emergence of newer destinations for Nepali migrants with much higher proportions of remittances being transferred from Australia, Japan and South Korea (Figure 3.5).

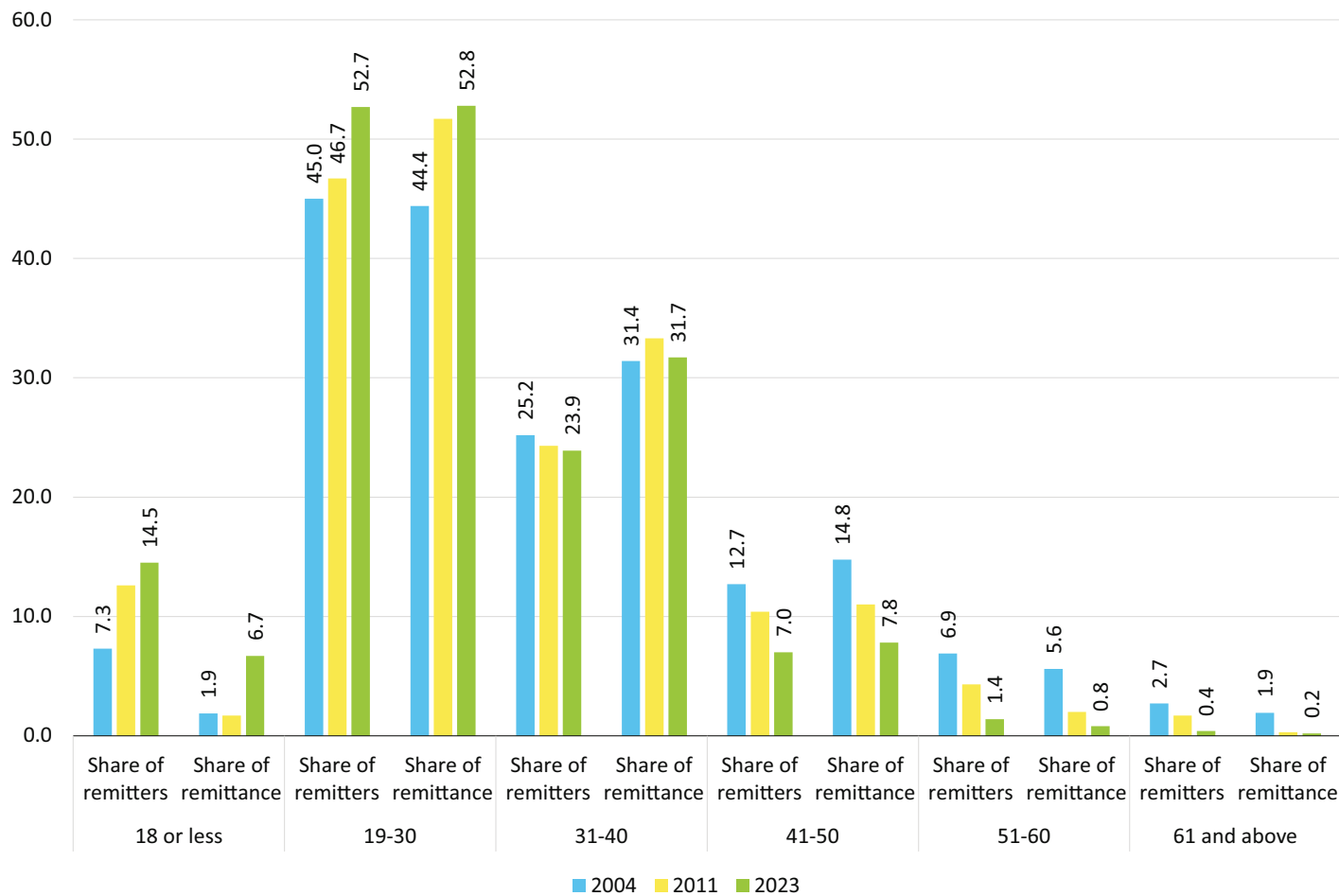
Outmigration trends from Nepal have shifted drastically over the previous decade. Although India, the Gulf countries and Malaysia remain prominent labour migration destinations, student migration has gained traction among Nepalis and become a common feature of Nepali households all over. While migration for studies entails the outflow of money from the country, at least in the beginning, students commonly engage in employment in the destination countries and repatriate remittances (Baas 2018; Limbu 2023; Valentin 2014; Sijapati 2014). Furthermore, labour migration to Japan and South Korea increased during the 2010s along with the incipient migration to central and eastern European countries such as Croatia, Cyprus, Malta and Romania (MoLESS 2022; Neubauer 2024), resulting in a more diversified set of destination countries for Nepali migrants. Labour shortages caused by migration from eastern European countries to western Europe has opened employment opportunities for Nepalis (Dorn and Zweimueller 2021). The Nepali government, too, has pursued the diversification of destinations for Nepali migrant workers as evidenced by

Figure 3.5: Percentage of remittances by source region/county, 2004–2023



Source: NLSS II-IV

Figure 3.6: Remittance transfers by remitters' age groups, 2004–2023 (in %)



Source: NLSS II-IV

Note: Data is not available from NLSS I. For 2023, the age is based on the data on absentee remitters only as the age of other remitters is not captured.

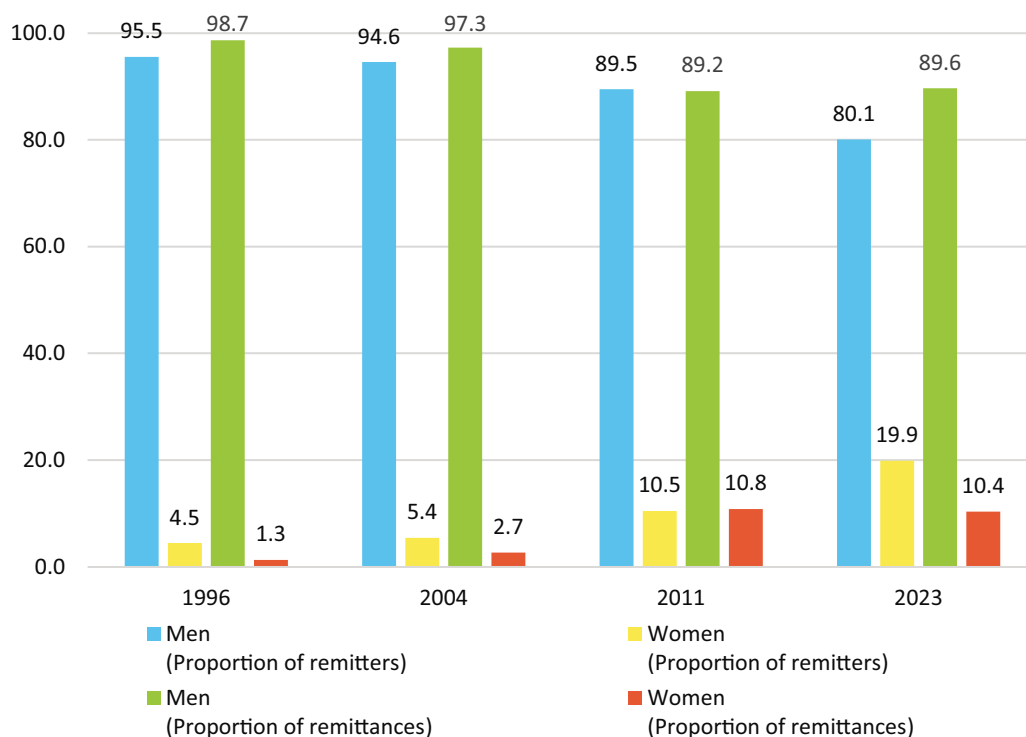
its attempts at bilateral labour migration negotiations with multiple countries (Republica 2021; Republica 2023). The opening up of new destinations seems pertinent especially in the context of the economic slowdown in the GCC countries and their adoption of labour market nationalisation policies mainly to reduce reliance on foreign labour (Randeree 2012).

3.5 Age of Remitters

The trends in remittance transfers by remitters' age group have remained similar over the last two decades for the most part. Those from the 19–30 age group have consistently constituted the highest proportion of remitters and the volume of remittances throughout, and at somewhat identical rates in both categories (Figure 3.6).

It is noteworthy that those in the higher age brackets, 31–40 and 41–50, remit higher amounts on average, accounting for a higher proportion of remittances compared to their share of remitters. Migrants from the 31–40 age group remitted the highest amounts on

Figure 3.7: Men and women remitters' contribution in total remittances received in Nepal, 1996–2023 (in %)



average consistently in all three survey years of 2004, 2011 and 2023, sending NPR 37,553, NPR 107,737 and NPR 373,982, respectively.

3.6 Sex of Remitters

Most of the remitters are men, a pattern identical to the migration landscape in Nepal (MoLESS 2022; see also Table 2.2). Women's share among total remitters increased by over 15 percentage points between 1996 and 2023 (Figure 3.7), and this growth aligns with a gradual increase in the rate of women's migration from Nepal over the same period (Kharel et al 2023). However, due to the sheer numbers of men migrating, their share in the total remittance transferred is much higher than that of women, hovering around 90 per cent in both 2011 and 2023, with that proportion even higher in the preceding decades (Figure 3.7).

The average amount transferred by men remitters has also been significantly higher, at least twice the amount transferred by women remitters, in all the years since 1996, except in 2011. In 2011, the average amount per remitter was slightly higher for women compared to men (Figure 3.8). Between 2011 and 2023, the average remittance transferred by men remitters increased by over two and half times while it increased by only 21 per cent (or about NPR 20,000) among women remitters.

Figure 3.8: Average amount transferred by men and women remitters, 1996–2023
(in NPR)

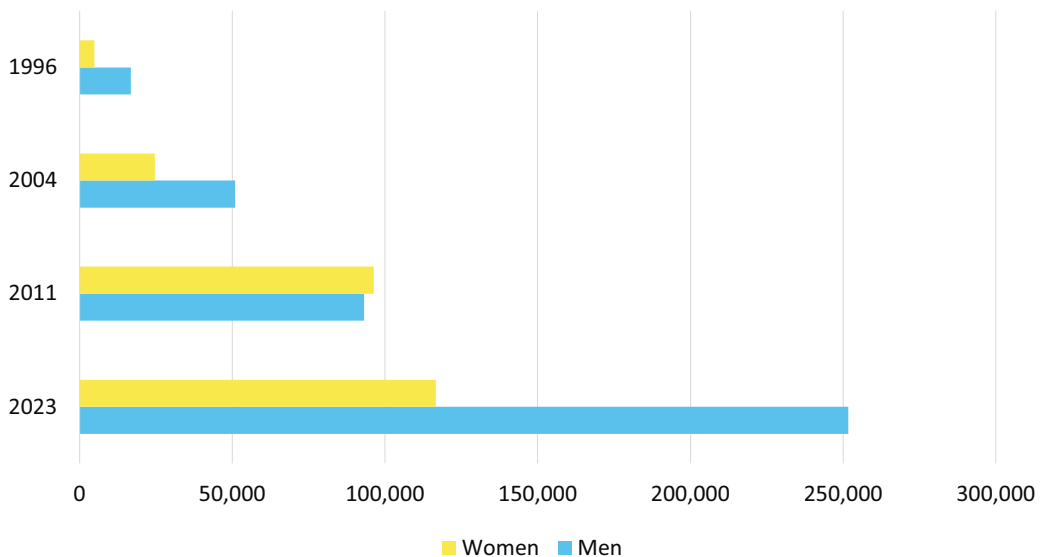


Table 3.6: Remitters' sex and employment status with average remittance transferred, 2023

Employment status	Men remitters (%)	Average amount transferred by men remitters (NPR)	Women remitters (%)	Average amount transferred by women remitters (NPR)
Wage job	84.4	272,545	45.6	192,020
Self-employed	8.8	68,263	14.2	65,694
Not working	2.2	46,352	29.8	13,085
Student	1.1	310,988	2.4	343,639
Household work	0.2	218,937	1.3	198,911
Unknown to respondents	3.3	327,767	6.8	77,894
Total	100	251,642	100	116,606

Source: NLSS IV

A major factor for a lower amount of average remittance transfer by women in 2023 was because a significant proportion of women remitters (29.8 per cent), compared to only 2.2 per cent for men, were 'not working' in destination countries. Very likely, they were dependent migrants but still managed to remit small amounts back home (only NPR 13,085 on average).¹⁷ A low average transfer from this particular group of remitters significantly reduced the overall average size of transfer made by all women remitters, although the average remittance transferred by women was lower than men in all employment categories except student (Table 3.6).

The other reasons for the discrepancy in average remittance transfers were the difference in men and women remitters' location as well as gaps in their remittance size even when transferring from the same location. While a majority of women remitters (52.5 per cent) continued to remit from India in 2023, only 37.6 per cent of men remitters were based there, with a higher proportion of men located in relatively higher income countries, such as the GCC countries and Malaysia (Table 3.7).

Although a higher proportion of women remitters compared to men was based in the high-income countries of Asia, Europe and North America, the average amount transferred by women was smaller than what men transferred. Women remitters consistently remitted smaller amounts compared to men from all countries/regions (Table 3.7).

¹⁷ The proportion of women 'not working' in the destination country was much lower in 2011 (16 per cent), when the mean amounts transferred by men and women were quite similar.

Table 3.7: Remitters' sex and location with average remittance transferred, 2023 (NPR)

Destinations	Men remitters (%)	Average amount transferred by men remitters (NPR)	Women remitters (%)	Average amount transferred by women remitters (NPR)
India	37.6	99,078	52.5	13,573
Malaysia	10.5	277,578	1.4	123,119
GCC countries	34.2	299,315	9.7	121,176
High-income destinations	11.3	536,345	26.0	302,012
Other countries	6.4	349,207	10.5	168,365
All countries and regions	100.0	251,642	100.0	116,606

Source: NLSS IV

Note: The GCC countries are Bahrain, Qatar, Saudi Arabia and UAE. 'High-income destinations' include Australia, Canada, Japan, Hong Kong, Romania, South Korea, UK and USA. 'Other countries' include those unspecified in the NLSS survey and countries such as China and Bangladesh with a small number of remitters.

Table 3.8: Remittance-receiving households by province, 2023

Provinces	Percentage of HHs receiving remittance (%)	Average amount received by HHs (NPR)
Koshi	31.0	419,207
Madhesh	37.9	210,275
Bagmati	26.3	399,038
Gandaki	40.5	431,446
Lumbini	44.5	298,649
Karnali	32.0	184,455
Sudurpaschim	41.1	197,948
Nepal	35.6	315,539

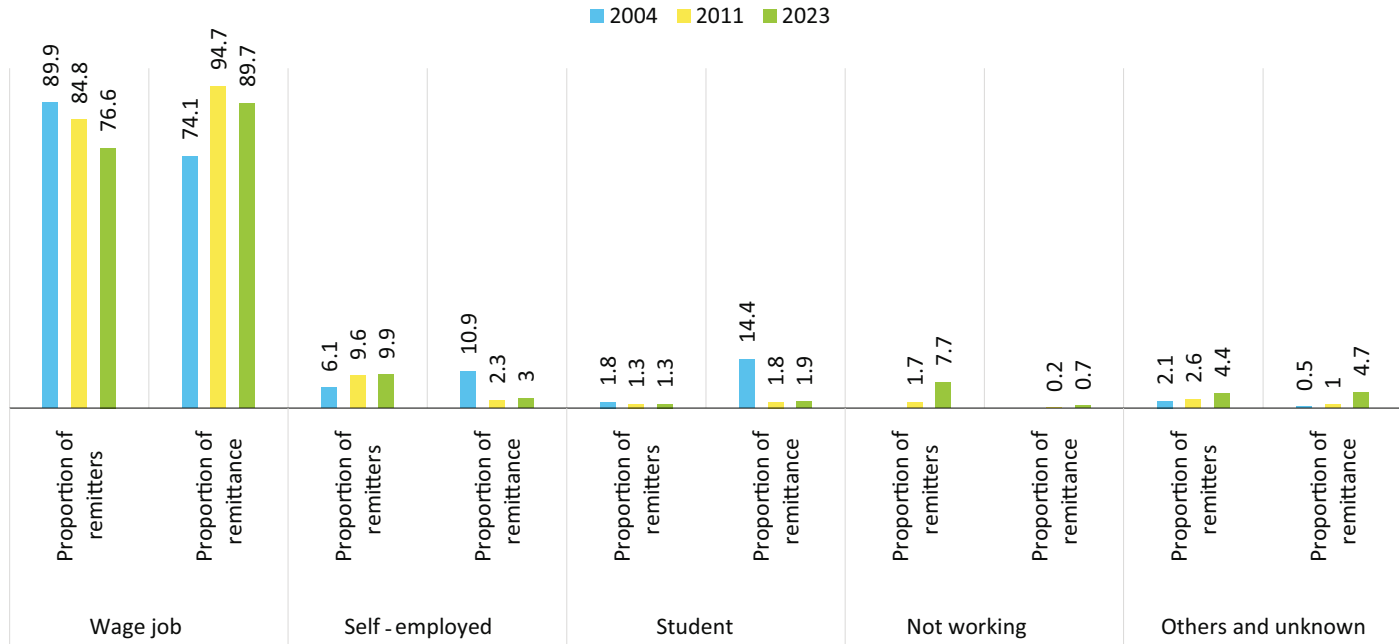
Source: NLSS IV

* No data was available for Kuwait and Oman in NLSS IV. They may have been grouped under 'Other countries'.

3.7 Remitters' Employment Status

Most of the remitters are employed in wage jobs, and a high proportion of total remittances are sent by such remitters over the two decades covered by NLSS II, III and IV. In 2023, 89.7 per cent of all remittances were sent by those employed in wage jobs abroad. The shares of self-employed and student migrants in total volume of remittances transferred have decreased drastically in the last two decades. While self-employed and student remitters each contributed to respectively 10.9 per cent and 14.4 per cent of remittances received in Nepal in 2004, their contributions in total remittances were only 3 per cent and 2 per in 2023 (Figure 3.9).

Figure 3.9: Percentage of remitters and remittances by job type, 2004–2023



Source: NLSS II-IV

3.8 Remittances at the Province Level

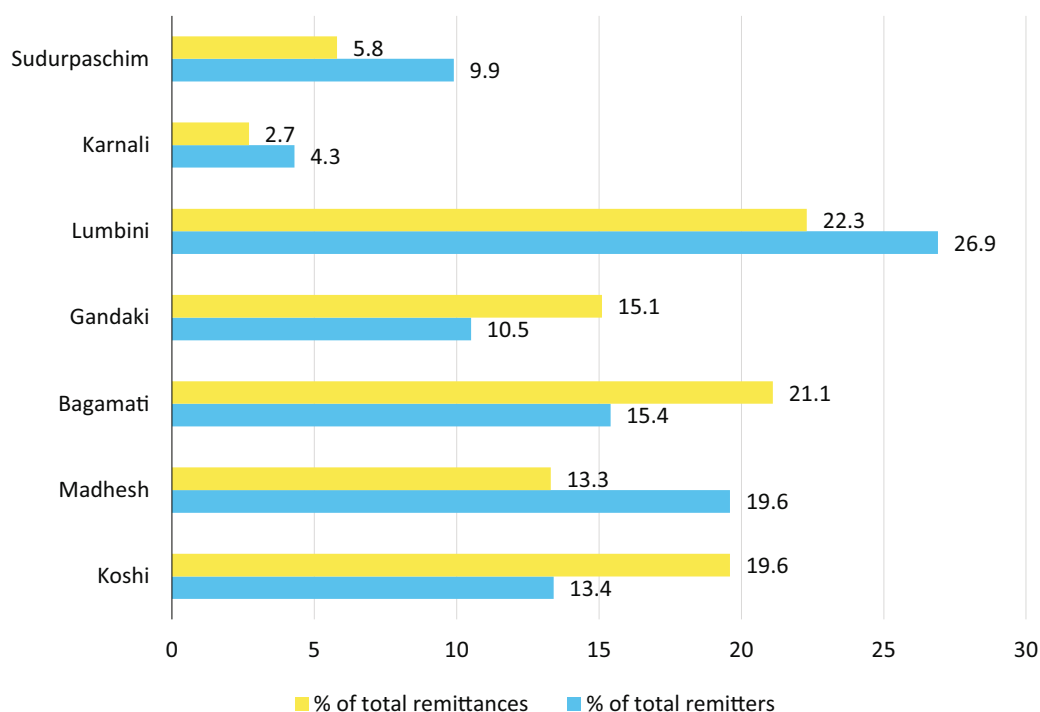
At least a quarter of the households in each province of Nepal received remittances in 2023. While Lumbini had the highest proportion of remittance-receiving households (44.5 per cent) Bagmati ranked at the bottom, with just a little over a quarter of the households receiving remittances (Table 3.8).

A huge gap was observed among provinces in terms of the size of remittances received by households in 2023. While the households in Gandaki, Koshi and Bagmati received the largest amounts on average, about NPR 400,000 or more, households in Sudurpaschim, Karnali and Madhesh on average received about half of it (Table 3.8).

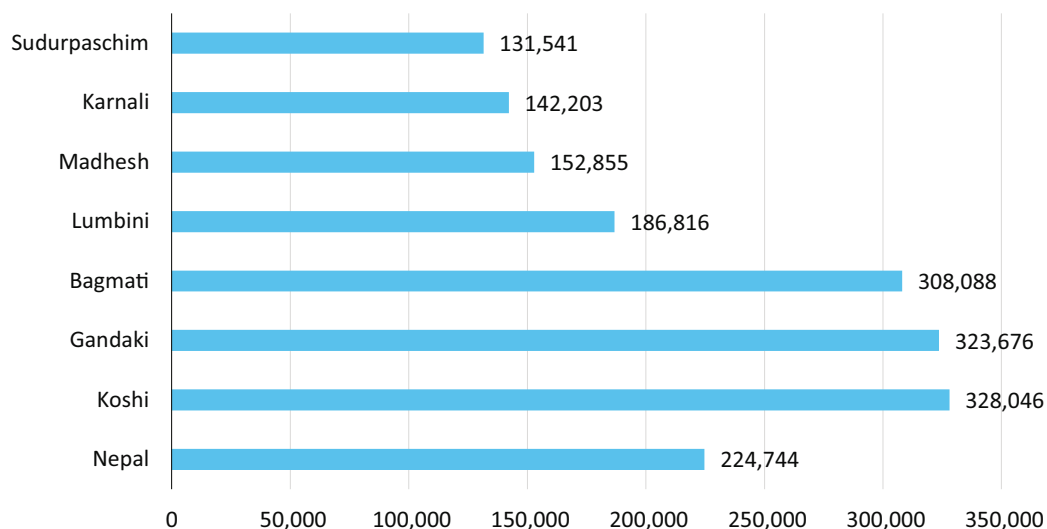
A similar discrepancy was also observed in terms of the distribution of total remittances among provinces. While Lumbini and Bagmati received the largest share of the total remittances transferred to Nepal—over 20 per cent each—Sudurpaschim and Karnali received the lowest, at 5.8 per cent and 2.7 per cent, respectively (Figure 3.10).

Although Sudurpaschim and Karnali also had low percentage of remitters compared to other provinces, the average amount transferred by each remitter was also significantly lower

Figure 3.10: Share of remittances and remitters at the province level, 2023 (in%)



Source: NLSS IV

Figure 3.11: Average amount of remittance per remitter by province, 2023 (NPR)

Source: NLSS III & IV

Note: The average amount received by households (Table 3.8) is higher than the average amount transferred by each remitter as many households received remittances from multiple remitters.

Table 3.9: Remitters' location by province, 2023

Country/Region	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpaschim	Nepal
India	15.2	50.9	6.7	15.8	53.9	67.7	85.4	40.6
Qatar	12.5	20.1	7.2	13.1	7.4	6.9	1.4	10.5
Saudi Arabia	11.4	10.7	10.4	11.8	9.8	6.9	2.0	9.6
Malaysia	12.9	11.1	6.9	7.5	8.3	11.7	2.1	8.7
UAE	14.2	3.6	12.9	15.4	7.3	2.1	3.3	8.6
Australia	3.4	0.3	16.3	4.5	1.7	0.2	0.9	4.1
USA	2.7	0.1	10.1	4.2	1.1	0.0	1.1	2.8
Japan	1.6	0.2	5.4	8.1	2.6	0.9	0.9	2.8
South Korea	2.8	0.0	2.8	3.1	1.0	0.7	0.6	1.5
Hong Kong	5.3	0.3	0.3	1.8	0.9	0.0	0.0	1.2
UK	2.0	0.0	1.8	4.0	0.6	0.0	0.0	1.1
Bahrain	2.2	0.3	0.4	1.5	0.2	0.0	0.1	0.6
Canada	1.0	0.0	1.2	0.7	0.0	0.2	0.0	0.4
Romania	0.8	0.0	0.7	0.9	0.1	0.0	0.0	0.3
Others	12.0	2.5	17.1	7.8	5.2	2.8	2.2	7.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: NLSS IV

in those two. Remitters sent on average less than NPR 150,000 to Karnali and Sudurpaschim, while the average amount sent to Bagmati, Gandaki and Koshi by each remitter was over twice that amount in 2023 (Figure 3.11).

A major reason behind the low amount of average remittance transfers to Karnali, Sudurpaschim, Madhesh and Lumbini, was because a majority of migrants from there were employed in India, a lower-income country. In contrast, only a small percentage (less than 16 per cent) of remitters from the other provinces—Koshi, Gandaki and Bagmati—were based in India, with significant proportions of remitters spread over high-income countries, such as USA, Australia, Japan, Korea and Canada (Table 3.9).

Furthermore, the average amount transferred by remitters from India varied by provinces in Nepal: while Bagmati and Gandaki received over NPR 150,000 per remitter on average, Madhesh received less than a quarter of it. The average remittance transferred by remitters from Malaysia and the GCC countries were largely identical across Nepal's provinces (Table 3.10).

Table 3.10: Per remitter transfer to provinces by countries and regions of remitters' location, 2023 (NPR)

Countries and regions	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudur-paschim	Nepal
India	102,566	36,015	154,831	163,476	77,379	78,090	91,752	77,003
Malaysia	242,212	281,446	197,521	299,181	319,774	224,234	333,227	272,731
GCC countries	305,333	276,134	252,804	313,677	296,052	272,848	273,197	287,679
High income destinations	615,904	235,908	403,812	437,346	394,945	456,038	554,463	450,829
Overall	328,046	152,855	308,088	323,676	186,816	142,203	131,541	224,744

Source: NLSS IV

Note: GCC countries include Bahrain, Qatar, Saudi Arabia and UAE. * High income destinations include Australia, Canada, Japan, Hong Kong, Romania, South Korea, UK and USA. Other countries include the unspecified countries in the NLSS survey and countries such as China and Bangladesh with a small number of remitters.

*No data was available for Kuwait and Oman in NLSS IV. They may have been grouped under 'other country'.

4. Remittance Transfer Frequency, Channels and Costs

This chapter discusses the frequency and channels of remittance transfers to Nepal through an analysis of the NLSS data. The transfer costs to Nepal from major destinations are explained using data from the World Bank.

4.1 Frequency of Remittance Transfers

Most of the remitters send remittances multiple times a year, and that had remained consistent in 2011 and 2023.¹⁸ A dramatic shift, however, is observed between 2011 and 2023 in how remittances were transferred, with remitters sending more frequently now than in the past. While about two-thirds of migrants remitted home one to two times a year in 2011, a majority remitted more than three times in 2023 (Figure 4.1). This finding indicates how easier it had become to transfer remittances over the course of one decade.

A majority of men and women remitters were sending remittances more than twice in 2023, but in the higher frequencies of transfers, there were significantly higher proportions of men than women (Figure 4.2).

4.2 Channels Used for Remittance Transfers

Remittances are sent to households in Nepal through formal financial institutions, personal networks (friends, relatives, acquaintances) and *hundi* (see box below). Migrants also often carry their earnings when they return home. The NLSS data shows that most remitters transfer remittances via formal channels, with a marked increment over the last two decades, from 12.9 per cent in 2004 to 71 per cent in 2023. The figure was even higher (92.8 per cent) for the total amount of remittances that entered Nepal through formal channels in 2023 (Figure 4.3).

Formal financial institutions typically involve domestic and international remittance service providers (RSPs) and bank and financial institutions (BFIs). At the time of writing, there were 42 licensed RSPs operating in Nepal (Nepal Rastra Bank, n.d.[a]). Most of the banks provide

¹⁸ The statistics on frequency of remittance transfers are based on the data on absentees only. The NLLSS does not collect data on the frequency of transfers by non-absentee member remitters (non-household members).

Figure 4.1: Frequency of remittance transfers by remitters, 2011–2023 (in %)

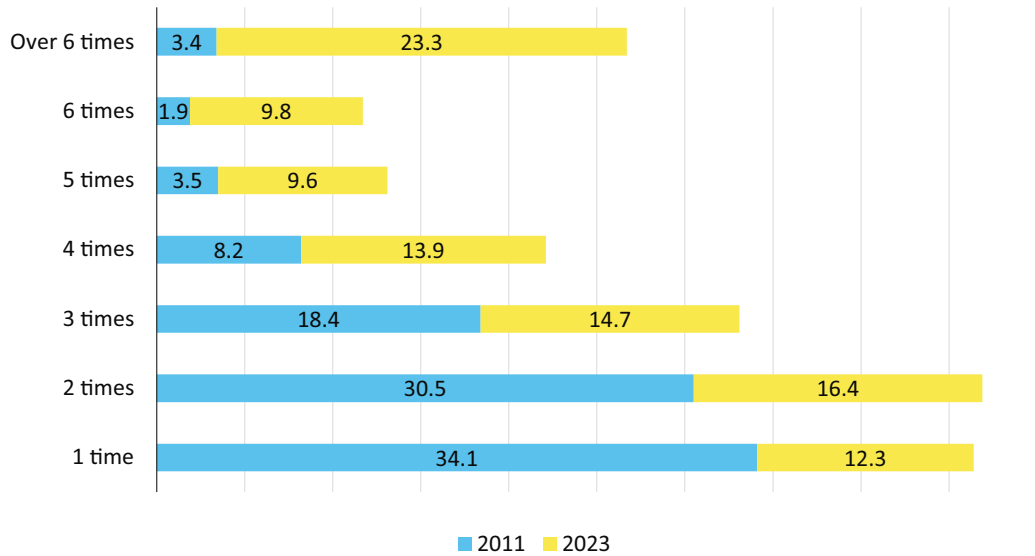


Figure 4.2: Frequency of remittance transfers by men and women remitters, 2023 (in %)

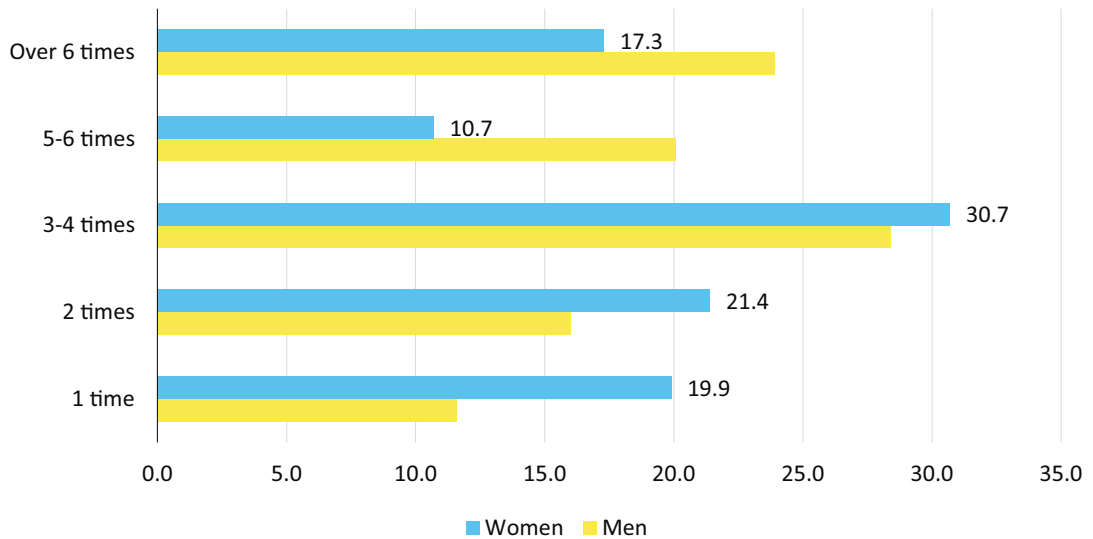
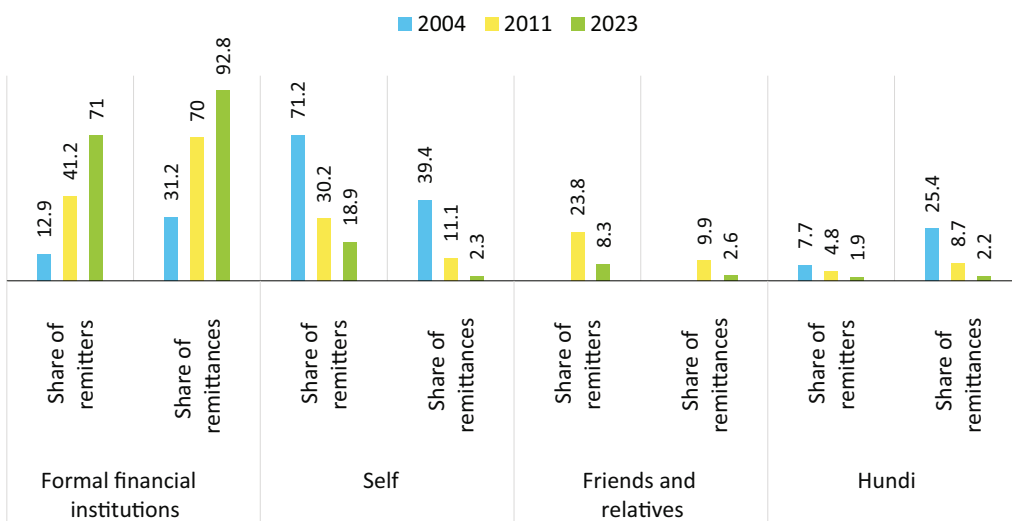


Figure 4.3: Percentage of remitters and remittances by channels used, 2004–2023

Source: NLSS II-IV

basic remittance services through bank-to-bank SWIFT transfers and bank drafts. BFIs in Nepal work with their counterparts in the CoDs for the transfer of remittances (Nepal Rastra Bank 2014). For example, Rastriya Banijya Bank collaborates with the City Exchange House located in Doha, the Wall Street Exchange Centre in Dubai and the UAE Exchange Centre in Abu Dhabi (Rastriya Banijya Bank, n.d.); collaboration also extends to international money

What is *hundi*?

Hundi, a prominent channel for the transfer of remittances, is considered an ancient South Asian banking system (Martin 2009), widely used by migrants from the region (Kazi 1988; Saith 1992) and the ‘money courier industry’ of the Philippines (Puri and Ritzema 1999). Many Nepali migrants traditionally relied on hundi, which involves a series of intermediaries to send their money home (Seddon et al 2002). In the hundi system, the money is transferred through a network of operators without moving physical cash (IOM Sri Lanka 2019). The remitter provides an x amount to an operator in the CoD, who then contacts a counterpart in the recipient’s country with details of the transfer and also provides an authentication code to the recipient. The recipient then collects the sum from the operator in their country using the code. The operators levy a fee on the transactions and balance their accounts by making similar reverse transfers with different clients. Hundi is now a black-market transaction due to being outlawed by most countries, as it does not have any official linkage or legal accountability (Martin 2009).

Table 4.1: Remittance transfer channels by remitters' location, 2011–2023 (%)

Country/ Region	Formal financial institutions		Self		Friends and relatives		Hundi	
	2011	2023	2011	2023	2011	2023	2011	2023
India	8.5	44.3	52.5	41.1	37.2	12.9	1.8	1.8
Malaysia	81.0	92.8	4.9	3.5	6.7	3.2	7.4	0.5
Saudi Arabia	72.6	87.5	11.1	4.9	12.6	4.1	3.8	3.5
Qatar	63.9	91.4	13.2	2.6	11.4	4.3	11.5	1.7
UAE	56.5	88.1	24.3	4.8	13.8	6.1	5.4	1.0
Hong Kong	31.7	76.6	23.2	8.8	26.5	14.6	18.7	-
Japan	62.9	83.4	8.9	9.0	19.1	5.0	9.1	2.6
South Korea	73.7	91.5	-	4.4	18.1	3.0	8.3	1.1
UK	41.5	77.0	21.6	7.6	31.5	10.5	5.4	5.0
USA	50.3	80.1	14.0	4.8	34.4	12.7	1.3	2.4
Australia	55.4	83.2	10.0	8.6	26.5	4.4	8.1	3.8
Romania		91.3		-		-		8.7

Source: NLSS III & IV

Note: Multiple responses

transfer operators with wider networks such as Western Union and Money Gram.

NLSS data shows that the use of informal channels, such as *hundi*, personal networks of friends, relatives or acquaintances or self-carry, has gone down considerably in the last two decades (Figure 4.3). Less than 2 per cent of remitters used *hundi* in 2023, while this figure was more than double about a decade ago. Transfers through personal networks have also declined at a comparable rate, from 23.8 per cent to 8.3 per cent between 2011 and 2023. Notably, the percentage of migrants sending via informal channels is higher than their proportion in the total volume of remittances because most of the personal channels are used by Nepali migrants in India where the mean transfers are much lower than for the GCC countries, Malaysia and high-income countries (see Figure 4.3 and Table 4.1).

Clearly, remittance transfers have been formalised to a large degree in Nepal. The routing of remittances through formal channels was seen as a key challenge for Nepal (Mohapatra et al 2012), but which has improved tremendously over the last two decades. Besides government incentives for remitting through formal channels, such as a 10 per cent quota for migrant workers in the initial public offerings (IPOs) of companies in the Nepali share market and a 1 per cent additional interest on remittance deposits, the accessibility of formal means of transfers has greatly expanded over the last two decades, which include not only RSPs but also mobile phone apps.

4.2.1 Remittance Channels and Remitter's Place of Residence

The types of channels used for sending remittances vary according to destination country but a trend towards formalisation is observed in all the countries, including India. While the rate of formal transfers from India was significantly lower (44.3 per cent) than from other destinations (for example, 92.8 per cent from Malaysia) in 2023, it was nonetheless a massive jump from 2011, when it was only 8.5 per cent (Table 4.1).

A significant proportion of remitters from India carried the money with themselves when they returned home (41.1 per cent) or sent it with friends, relatives or acquaintances (12.9 per cent) in 2023. Informal methods, such as the use of personal networks and self-carry, have been prevalent among Nepali migrant workers in India due to the seasonal nature of migration, lack of access to RSPs in migrants' location, and the difficulty to formally transfer in the absence of documents, such as Aadhaar Card, in India.¹⁹

The use of *hundi* was relatively more prevalent among those remitting from Romania (8.7 per cent), the UK (5 per cent), Australia (3.8 per cent) and Saudi Arabia (3.5 per cent). Some migrant workers still use informal channels even outside India for several reasons: first, formal transfers of remittances require identification documents, which migrants, particularly those who have travelled through irregular channels, often lack; second, informal channels like *hundi* are often cheaper, faster and more trusted, and have better reach in rural areas although it also carries the risk of non-payment and underpayment (Puri and Ritzema 1999); and third, informal channels are also used to conduct activities such as paying college fees for Nepali students in foreign countries due to complexities involved in transferring money to anyone outside the country. Other reasons for the use of informal channels have been identified as the lack of awareness among workers regarding the risks involved in using them, the limited reach of BFIs and remittance companies, the lack of facilitation by employer companies abroad, and inadequate incentive programmes by the government to promote the use of formal channels for sending remittances (Dahal 2019). Money sent through informal channels is not recorded officially and is thus difficult for the government to document.

4.2.2 Remittance Channels and the Size of Remittances

A strong positive relationship is observed between the size of remittances and the selection of a specific channel for sending money to Nepal. People are very likely to use formal financial institutions and *hundi* to send large amounts, while small amounts are sent through more personal avenues—carried by the remitters themselves or sent through the informal networks of friends, relatives and acquaintances. While the average amounts remitted via formal financial institutions and *hundi* were over NPR 300,000 in 2023, the size was

19 Based on interviews with returnee migrant workers from India. An Aadhaar Card is a biometric ID required to avail of many public services in India and which Nepali citizens are also eligible to receive but not all of whom have the necessary documents required to get one.

Formalisation of Indo-Nepal Remittance Transfer

Formal remittance transfers to Nepal from India take place under the Indo-Nepal Remittance Facility (INRF) Scheme launched in 2008 by Reserve Bank of India in consultation with Nepal Rastra Bank and in consideration of the challenges faced by Nepali migrant workers in transferring money from India.^a Under this Scheme, Nepali migrant workers without a bank account in India can send home up to INR 600,000 in a year, with a ceiling of INR 50,000 per month and 12 transactions per year. There is no upper limit for those maintaining accounts with a National Electronic Funds Transfer (NEFT)-enabled bank branch in India except that they can remit only up to INR 200,000 per transaction. The transfers are routed through the State Bank of India (SBI) in India. Nepal SBI Bank handles the INR transactions in Nepal, directly depositing in the beneficiary's account if they have maintained an account with it or delivering the cash through Prabhu Money Transfer if the recipient does not. Other Indian banks such as Punjab National Bank in partnership with Nepal's Everest Bank Limited, and Nepali money transfer companies such as Prabhu Bank and IME Pay are also involved in remittance transfers.^b

The Scheme appears to have made positive impacts in the formalisation of remittance transfers from India, as the NLSS IV shows an increasing number of Nepali workers in India remit through formal channels (see Table 4.1). However, the challenges still exist for many workers, with the most notable being the inability to furnish some essential documents, such as the Aadhaar Card, and the lack of access to money transfer operators or bank branches in the rural areas of India where seasonal migrant workers are employed primarily in agricultural work.^c Although, as per the official provision, other documents can be used in place of the Aadhaar Card, and is not even listed as an essential document,^d Nepali migrant workers have reported it as mandatory to initiate the transfer of remittances and not having it as a challenge in formally transferring money.^e This view of migrant worker is also validated by remittance transfer operator like Prabhu Money Transfer (India), which considers a copy of Aadhaar Card to be mandatory.^f

a 'Indo-Nepal Remittance Facility scheme,' Reserve Bank of India, accessed 22 April 2025, <https://rbi.org.in/scripts/FAQView.aspx?Id=67>

b 'Indo Nepal Remittance Scheme (InRemit Scheme)', Punjab National Bank, accessed 22 April 2025, <https://www.pnbindia.in/Indo-Nepal-remittance.html>; 'Indo-Nepal Remittance', IME, accessed 22 April 2025, <https://imeremit.com.np/blogs/indo-nepal-remittance/>; and 'About Us', Prabhu Money Transfer, accessed 22 April 2025, <https://prabhumoneytransfer.co.in/>.

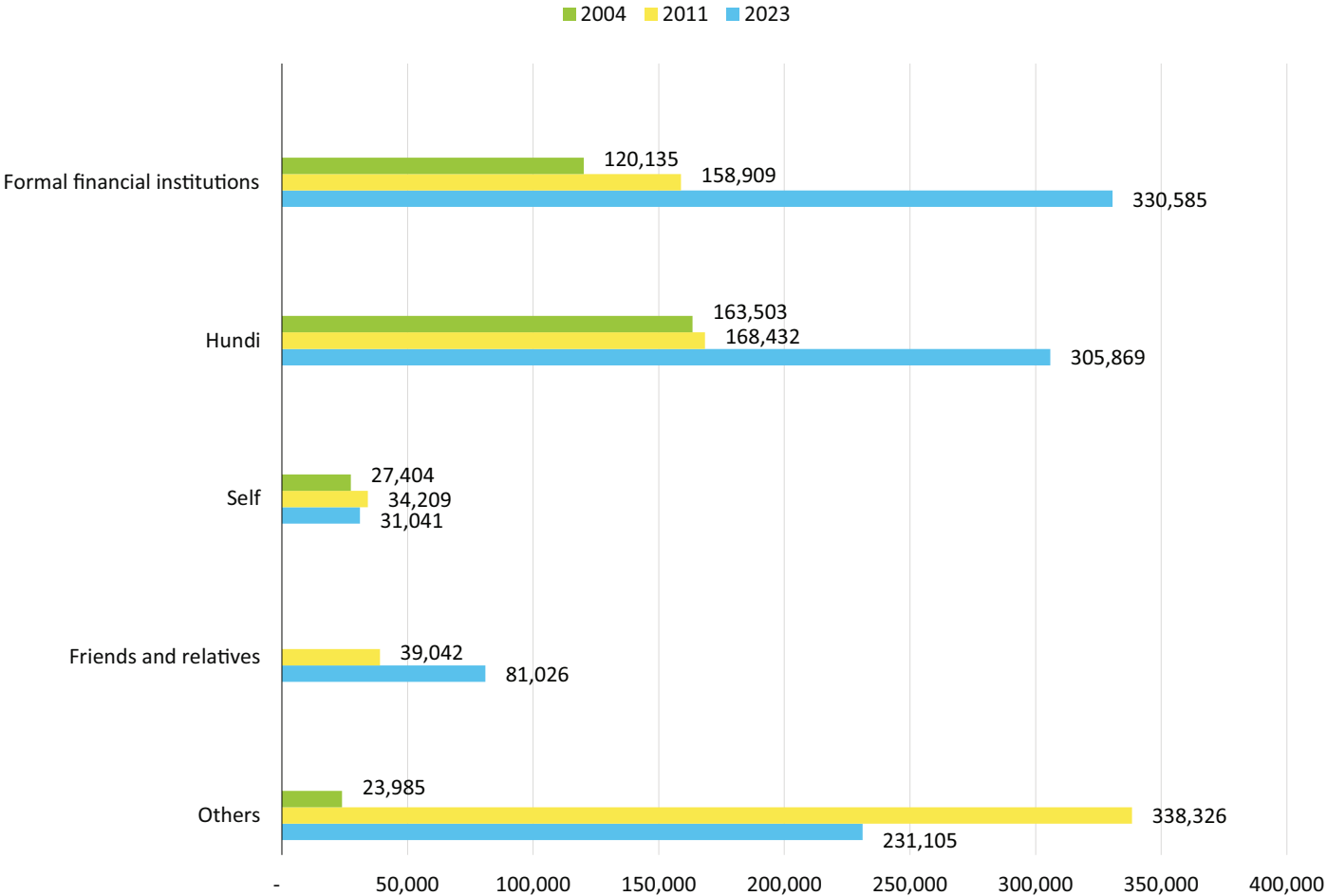
c Based on interviews with returnee migrant workers from India.

d For instance, Punjab Bank webpage cited above states: 'Identity proof from the remitter viz. citizenship card issued by Nepalese authorities (for Nepalese citizens) and passport / PAN / Driving Licence / Telephone bill / certificate of identification issued by employer with details & photograph etc to ascertain remitter's identity / residential address in India.'

e Based on interviews with returnee migrant workers from India.

f On the webpage cited above, Prabhu Money Transfer states under 'Documents Required for Remittance' that 'Aadhaar Card is used as ID proof for remittance'.

Figure 4.4: Remittance channels with average amounts transferred, 2004–2023 (in NPR)



Source: NLSS II-IV

Note: NLSS does not explain what 'Others' constitutes.

notably lower for the remittances carried by the remitters themselves, at NPR 31,041, and sent through relatives, friends and acquaintances, at NPR 81,026 (Figure 4.4). This trend—the relationship between the choice of channel and the size of remittance—has persisted throughout the last two decades, 2004 to 2023.

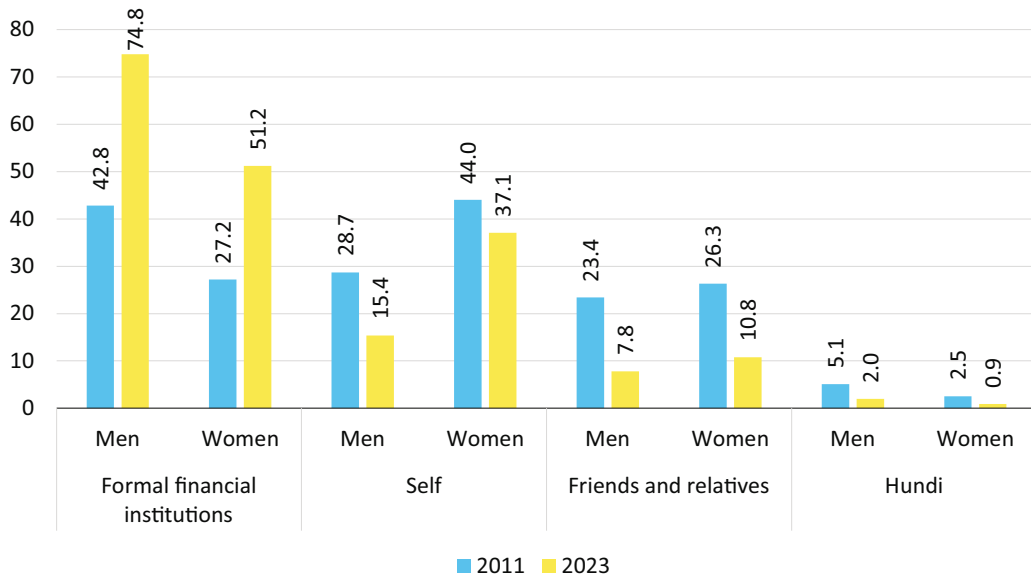
4.2.3 Remittance Channels and the Sex of Remitters

A majority of both men (74.8 per cent) and women (51.2 per cent) remitted through formal methods in 2023, which was a significant increase from the preceding decade. The types of channels used by men and women remitters greatly varied—higher proportions of women sent money through personal networks or carried themselves while more men used formal networks or *hundi* in comparison (Figure 4.5).

A higher proportion of women using informal channels of personal networks and carrying money themselves than men was also associated with women remitters’ higher concentration in India (53 per cent of women versus 39.7 per cent of men), and relatively smaller size of their remittance transfers (NPR 80,910 to NPR 218,585 for men in 2023). (See 4.2.1 and 4.2.2 for discussion on remittance channels’ relationship with remitters’ location and size of remittance amount.)

A further analysis of data shows comparable rates among men and women in the use of formal channels for money transfers from many countries, although the rates were still consistently higher for men. Notably, the use of *hundi* was mostly prevalent among

Figure 4.5: Remittance channels used by remitters’ sex, 2011 and 2023 (in %)



Source: NLSS III & IV

Table 4.2: Men and women remitters' use of remittance channels by country/region of residence, 2023

Country/ Region	Formal financial institutions		Hundi		Self		Friends and relatives	
	Men	Women	Men	Women	Men	Women	Men	Women
India	50.1	20.4	1.9	1.6	35.3	64.4	12.7	13.6
Qatar	91.9	76.9	1.8	-	2.1	17.3	4.3	5.9
Saudi Arabia	87.6	81.6	3.6	-	4.6	18.4	4.2	-
Malaysia	93.5	63.9	0.5	-	2.9	26.0	3.1	10.1
UAE	88.0	88.5	1.1	-	4.4	7.7	6.4	3.8
Australia	86.3	78.7	5.2	1.8	3.0	16.7	5.5	2.8
Japan	85.8	79.1	4.1	-	4.0	17.9	6.2	3.0
USA	80.4	79.4	3.8	-	6.7	1.4	9.0	19.2
South Korea	91.6	90.4	1.2	-	4.7	-	2.6	9.6
Hong Kong	81.4	72.2	-	-	5.1	12.2	13.5	15.6
UK	78.1	74.0	6.9	-	10.5	-	4.4	26.0
Canada	91.5	42.1	-	-	8.5	-	-	57.9
Bahrain	90.6	100	3.9	-	5.5	-	-	-
Romania	90.6	100	9.4	-	-	-	-	-
Israel	100	100	-	-	-	-	-	-
Other countries	86.3	84.2	1.4	-	4.3	10.2	8.0	5.6
Total	74.8	51.2	2.0	0.9	15.4	37.1	7.8	10.8

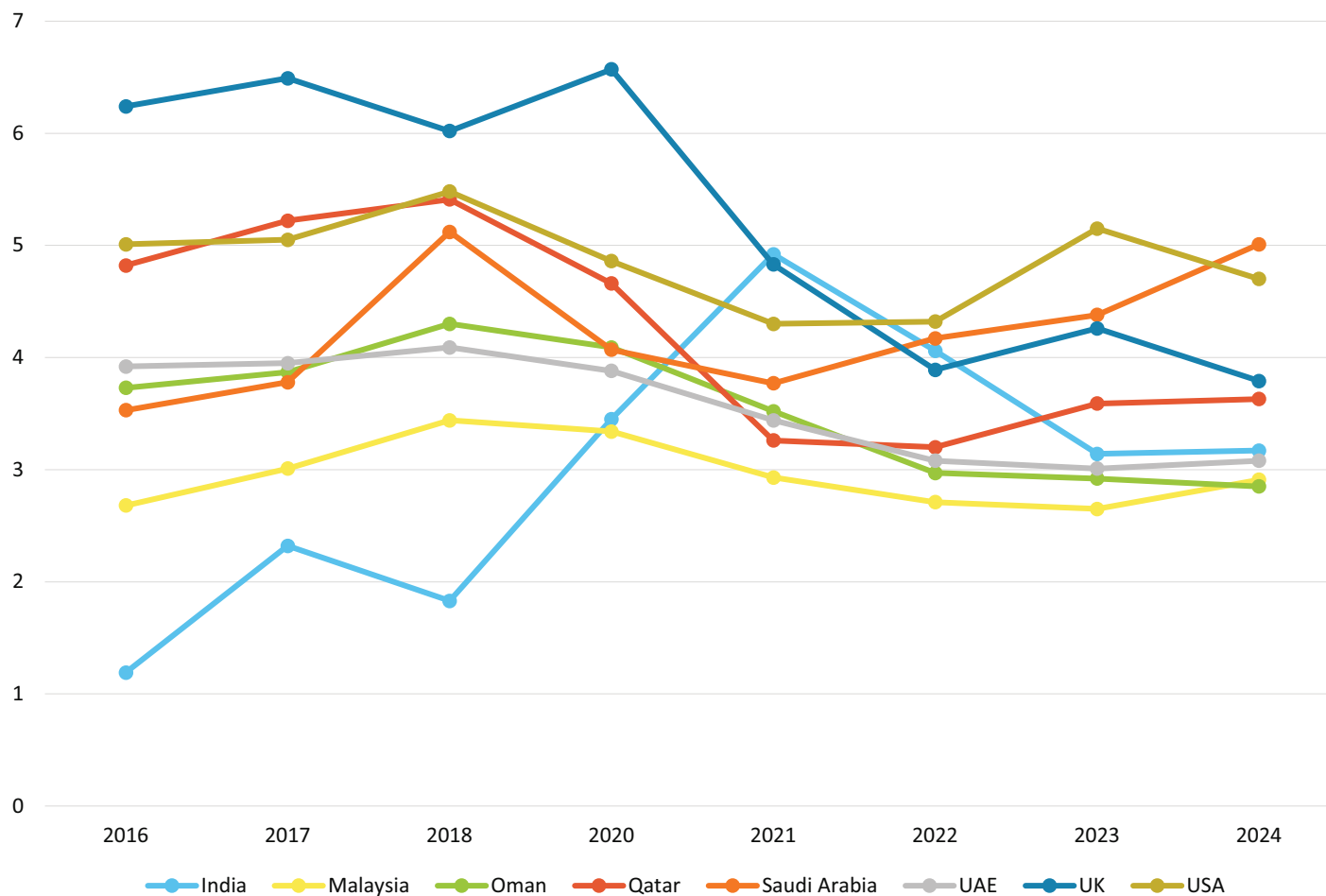
Source: NLSS IV

men while a significantly higher proportion of women, in comparison to men, carried remittances with themselves from most locations (Table 4.2).

4.3 Costs of Transferring Remittances via Formal Channels

Remittances transfer fees from different countries (especially from the most popular destination countries for Nepali migrants) are discussed in this section, using the World Bank data on the cost of remittance transfers (World Bank, n.d.[e]). The selection of the countries for analysis was also based on the availability of data. The transfer cost is expressed in USD and is measured as the cost for a transaction equivalent to USD 200 and USD 500. The total cost of remittance transfers also includes the indirect cost incurred due to the differences in exchange rates as provided by the remittance transfer companies.

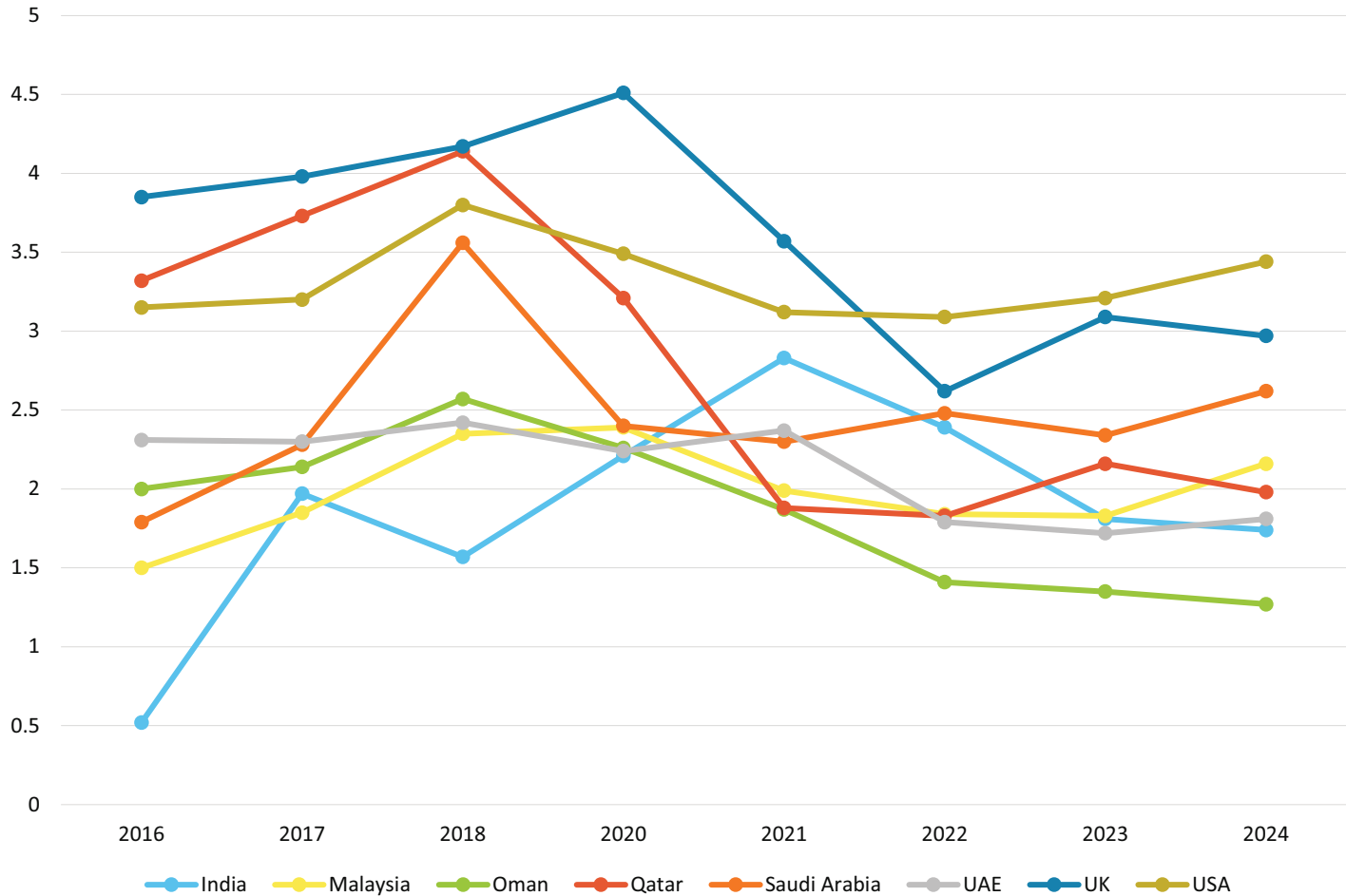
Figure 4.6: Remittance transfer costs to Nepal for USD 200 by destination country
(% of remitted amount)



Source: World Bank

Note: The yearly rates are the mean for all the quarterly rates for that year. For 2024, the data for the first three quarters are only available. The year 2019 was not included as the data was missing for at least one country.

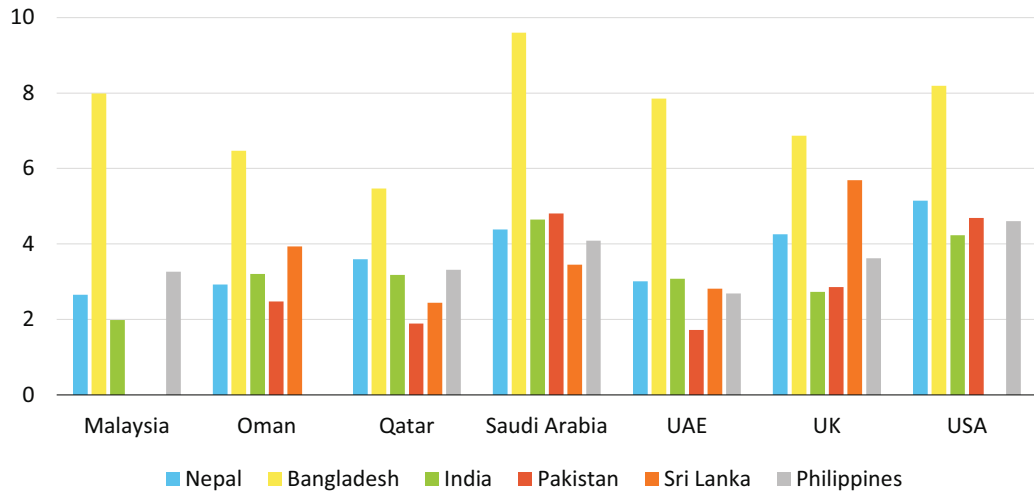
Figure 4.7: Remittance transfer costs to Nepal for USD 500 by destination country
(% of remitted amount)



Source: World Bank

Note: The yearly rates are the mean for all the quarterly rates for that year. For 2024, the data for the first three quarters are only available. The year 2019 was not included as the data was missing for at least one country.

Figure 4.8: Remittance transfer costs per USD 200 to major labour-sending Asian countries, 2023 (% of remitted amount)



Source: World Bank

Note: The rates are the mean of all the quarterly rates for 2023.

The data was not available for some corridors, and in such cases no bars are provided in the figure.

4.3.1 Trends in Remittance Transfer Costs

The cost of remittance transfers to Nepal is a mixed bag (Figure 4.6). Despite somewhat wild fluctuations, the cost has declined over the years for transfers from countries such as Oman and Qatar but has gone up for India. From 1.19 and 0.52 per cent, respectively, in 2016, the cost of sending USD 200 and USD 500 from India, respectively, has gone up to 3.17 and 1.74 per cent in 2024. It is a similar pattern from Saudi Arabia, where the cost of transfer has increased since 2016. On a positive note, transfer costs from Malaysia and Oman are within the Sustainable Development Goals (SDGs) target of below 3 per cent both USD 200 and 500 (Figures 4.6 and 4.7).

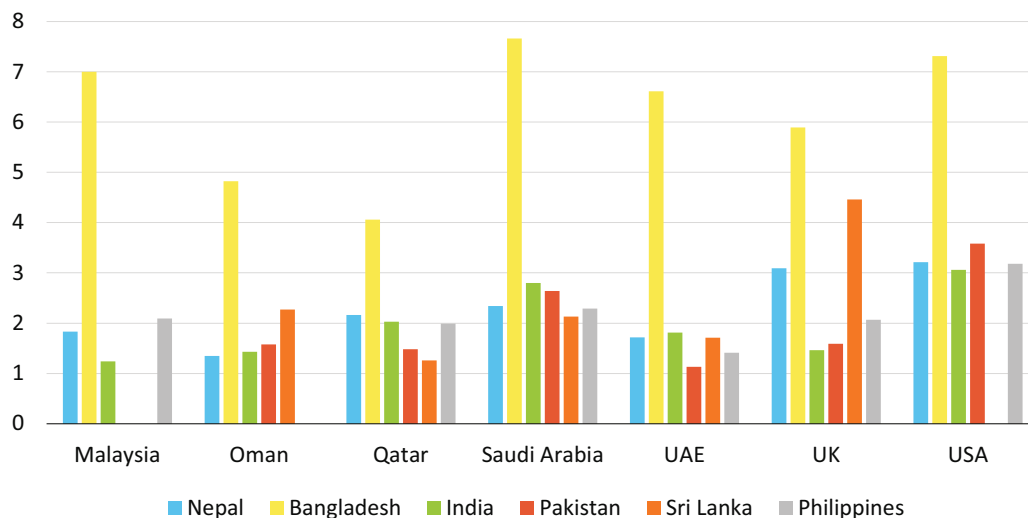
For the transfer of USD 500, the transfer cost for all countries except the USA is less than 3 per cent, the SDG target. The charges are lowest when remitting from Oman (1.27 per cent) and less than 2 per cent for transfers from India, the UAE and Qatar as well (Figure 4.7).

4.3.2 Comparison of Remittance Transfer Costs with Other Asian Countries

Remittance transfer costs vary among all the seven destination countries considered in this study.²⁰ Likewise, no country of origin can claim the lowest costs across the board. Transfer costs from Saudi Arabia appear to be on the higher side for all six remittance-receiving

²⁰ India is not included in the discussion as a destination country since it is applicable only to Nepal and not relevant to other migrant worker-sending countries.

Figure 4.9: Remittance transfer costs per USD 500 to major labour-sending Asian countries, 2023 (% of remitted amount)



Source: World Bank

Note: The rates are the mean of all the quarterly rates for 2023. The data was not available for some corridors, and in such cases no bars are provided in the figure.

countries. On whole, however, considering the global average cost for transferring USD 200 in remittances is 6.3 per cent (World Bank 2022), the cases presented here represent relatively cheaper corridors (Figure 4.8).

A comparison of remittance transfer costs between Nepal and other major labour origin countries in Asia shows that the transfer costs to Nepal are lower than to Bangladesh and generally higher than to India from the source countries covered in the analysis. Overall, Nepal represents a moderate case, except for transfers from Oman in the case of transferring USD 500, which is the lowest among the six countries covered (Figure 4.9).

5. Use of Remittances by Nepali Households

Through the analysis of the NLSS III and IV data, this section discusses the remittance-spending pattern of Nepali households and explores its relationship with various factors, such as the remitter's demographic characteristics, location and size of remittances. In both surveys, households could report up to two most important uses—first priority and second priority uses—of total remittances sent by each remitter in a year.

5.1 Major Uses of Remittances

Households in Nepal use remittances for a variety of purposes, such as daily consumption, loan repayment, children's education, investments and saving. The top ranking 'first priority' use of remittances has consistently been daily consumption (69.3 per cent in 2011 and 72.3 per cent in 2023), followed by loan repayment (15.9 and 13.5 per cent), likely to pay off the debts incurred in migration process (Table 5.1). Daily consumption as a top remittance use, however, is unsurprising given that many Nepali households have historically relied on foreign employment to meet everyday needs and the income from remittances has been contributing to reducing hunger and poverty in Nepal (Mobarak, Vernot and Kharel 2023; Nepal Statistics Office 2024). It is likely that a high rate of remittance use for loan repayment is associated with high recruitment costs for migration. Nepali migrant workers heavily rely on high-interest loans to pay for migration and use remittance income for an extended period to fully repay the debts (Kharel, Bhattarai and Tumsa 2022).

There has been a decline in the use of remittance in investments (such as on business and property) but an increase in the using remittances as savings between 2011 and 2023 (Table 5.1). The decrease in investments in 2023 might be associated with the risks in investments in business and other sectors of the economy at a time Nepal's economy was struggling in the post-COVID-19 period (World Bank Group 2023).

Even after combining the first and second most important uses of remittances, daily consumption ranked at the top. But the most outstanding changes in the rates were observed among the use of remittances for loan repayment and education. Overall, 30.6 per cent of remittances were used for loan repayment and nearly a quarter for education, either as the first or second priority in 2023 (Table 5.1).

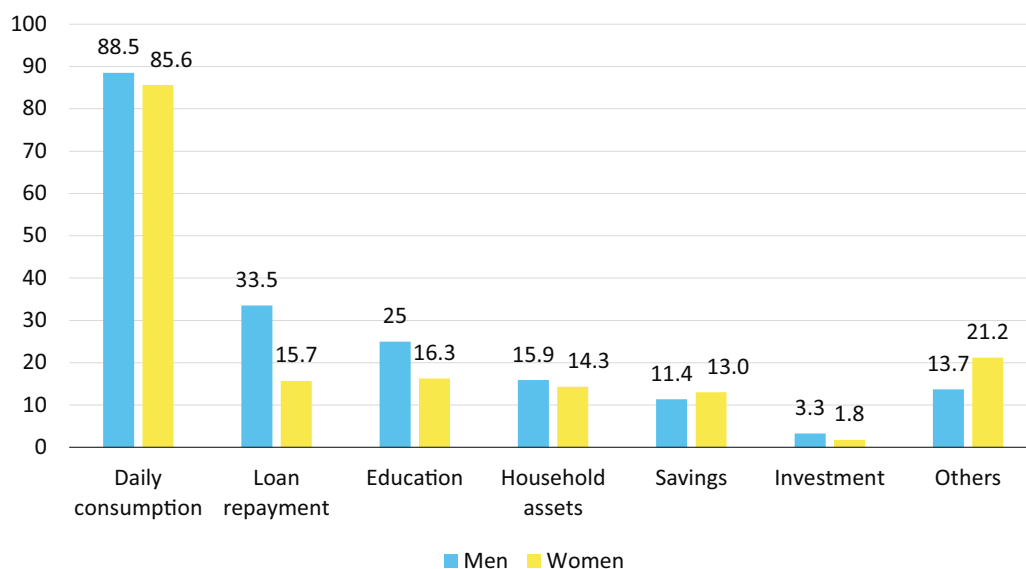
Remittances transferred by both women and men are used, as first or second priority, predominantly for household consumption. However, while loan repayment was the

Table 5.1: Uses of remittances (in %)

Use of remittances	First priority		First or second priority*	
	2011	2023	2011	2023
Daily consumption	69.3	72.3	82.3	88.0
Loan repayment	15.9	13.5	25.5	30.6
Education	3.4	5.6	19.6	23.6
Household assets	3.7	2.0	10.9	15.7
Savings	1.0	2.5	4.6	11.7
Investments	4.3	1.3	7.0	3.1
Other	2.5	2.7	4.8	14.9
Total	100.0	100.0	*Multiple responses	

Source: NLSS III & IV

* Respondents were allowed to select one 'first priority' use and one 'second priority' use of total remittance transfers by the remitters to the surveyed households. 'First or second priority' use of remittance was prepared combining the first and second priorities, and thus involves multiple responses.

Figure 5.1: Use of remittance by remitters' sex, 2023 (in %)

Source: NLSS IV

Note: Multiple responses

next major use of remittances transferred by male remitters (33.5 per cent) in 2023, the proportion of remittances remitted by women used for this purpose was much less (15.7 per cent) (Figure 5.1). Remittances transferred by a relatively small percentage of men and women remitters were also saved or invested, as a first or second priority use.

5.2 Remittance Size and Use of Remittances

Remittance-recipient households' spending behaviour is associated with the size of remittances. Households tend to spend small-sized transfers for daily consumption and purchasing household assets/durables in higher proportions while larger amounts are used at higher rates for repayment of loan, education, investment and savings. While only 9.5 per cent of households receiving NPR 10,000 or below reported education as the first or second priority for use of remittance, this figure was 32.8 per cent for those receiving NPR 500,001–1,000,000. Similarly, only a miniscule 0.6 per cent reported investment as a use of remittance from households receiving NPR 10,000 or less while 12.7 per cent of households receiving more than NPR 1 million reported using it for this purpose (Table 5.2).

Table 5.2 Percentage of remittance used for different purposes by size of remittance (in NPR), 2023

Use of remittance	10,000 or less	10,001–25,000	25,001–100,000	100,001–500,000	500,001–1,000,000	Over 1,000,000
Daily consumption	88.8	91.4	89.8	88.5	82.3	73.9
Education	9.5	16.2	22.9	28.8	32.8	28.6
Investment	0.6	1.1	2.1	3.2	8.0	12.7
Household assets/durables	22.8	21.3	16.6	13.5	6.5	12.4
Savings	10.7	9.7	11.1	12.2	12.9	15.7
Loan repayment	3.1	14.0	31.5	39.9	47.6	43.1

Source: NLSS IV

Note: Multiple responses

5.3 Remitters' Location and Use of Remittances

Disaggregation of NLSS 2023 data by remitters' location and use of remittances elucidates clear patterns. After daily consumption, a higher proportion of remittances from traditional labour migration destination countries—Malaysia, Qatar, Saudi Arabia and the UAE—along with newer destinations like Romania, where low-skilled migration from Nepal is the dominant pattern, was used for loan repayment (Table 5.3).

As recruitment costs required for these destinations are much higher than those required for India, migrants frequently take loans to finance their migration. Much lower proportion of remittance from India, thus, was used for repaying loans in 2023 (Table 5.3). A high proportion of remittance from Japan, which hosts both a large number of Nepali workers

Table 5.3 Percentage of remittance used for different purposes by country of destination, 2023

Country of destination	Daily consumption	Education	Investments	Household assets	Savings	Loan repayment
India	91.3	19.9	2.2	18.2	9.8	22.2
Malaysia	84.4	28.8	2.1	15.0	14.0	40.5
Saudi Arabia	89.3	29.8	3.5	12.3	11.3	38.9
Qatar	88.7	25.0	2.7	14.9	10.2	40.4
UAE	83.4	27.1	4.2	15.4	11.7	38.1
UK	93.5	34.8	0.0	10.9	15.9	16.7
USA	87.3	19.6	6.3	15.2	21.4	12.9
Australia	79.2	11.4	6.4	12.7	18.0	30.6
Japan	81.3	18.1	2.6	12.5	15.3	39.9
South Korea	76.4	25.2	9.2	14.0	15.3	25.1
Bahrain	89.9	42.8	0.0	6.0	9.3	25.3
Canada	74.0	11.7	4.6	17.7	7.4	35.9
Romania	93.1	0.0	9.5	5.8	12.4	68.4

Source: NLSS IV

Note: Multiple responses

and student migrants, was also used for the repayment of loans. Paying off loans as one of the primary uses of remittances featured much lower for transfers from destinations such as the UK and the USA, destinations that are accessible mostly to middle and upper-middle class households. Households receiving remittances from the USA reported saving at a higher proportion, with those receiving remittances from Romania and South Korea reporting the highest proportions for investment.

6. Legal and Institutional Mechanisms for Regulating Remittances

The Nepal Rastra Bank (NRB), the central bank of Nepal, regulates the remittance market in Nepal through relevant acts, bylaws, directives and circulars (Nepal Rastra Bank Act 2002 [First Amendment 2006], Section 79 and 110). The NRB is the authorised body to monitor remittance flows and institutions involved in remittance transfers, and it issued the Nepal Rastra Bank Remittance Bylaws, 2023 for the same purpose (Nepal Rastra Bank Remittance Bylaws, 2023, Section 1). The Bylaws list procedural requirements for engaging in remittance transfers, including obtaining a license from the NRB (Section 3-7). A licensed remittance service provider (RSP) company has the responsibility of facilitating inward remittance transfers to Nepal in foreign currency, following the directives and circulars issued by the NRB and making payments to beneficiaries in Nepali currency, either itself or through its appointed sub-agents or sub-representatives (Dahal 2019).

6.1 Registration of Remittance Service Providers

The bylaws, directives and circulars issued by the NRB state the eligibility requirements for RSPs to get licences, including guarantee requirements. These documents also clarify operational guidelines and specify reporting provisions, including anti-money laundering (AML)/combating the financing of terrorism (CFT) requirements. An institution applying for a licence to conduct remittance transactions is required to have a minimum paid-up capital of NPR 100 million if it is to operate as a remittance company, but the requirement of paid-up capital is NPR 250 million for those seeking to carry out other functions as well (such as related to payment service providers or payment system operators through a subsidiary company) (Nepal Rastra Bank Remittance Bylaws, 2023, Section 6).²¹ Companies established before the formulation of the 2023 Bylaws also need to maintain the stated capital—by merger or otherwise—by mid-July 2028 (Section 6). Unlike other remittance companies, banks and financial institutions (BFIs) do not need to obtain in-principle consent and hold a security deposit (Section 8). The Bylaws also enumerates the functions and duties of a remittance company, including the prohibition to send money

21 'Payment service providers' include the entities providing payment services, such as IME Digital Solution, Esewa and Khalti while 'payment service operators' include agencies such as Nepal Clearing House, Union Pay, Visa and Mastercard. A 'subsidiary company' is an an entity owned by the remittance company, which can be a company licensed by NRB for remittance transaction or a bank or financial institution with the authority to conduct remittance transactions. All of these entities are licensed by NRB.

abroad from Nepal (Section 9-10) and also outlines provisions of the renewal, suspension, and revocation of licence, with the renewal fee waived to incentivise companies bringing in a prodigious volume of remittances (Section 13).

Meanwhile, the Bank and Financial Institution Act, 2017, allows Class A financial institutions (commercial banks) to provide remittance-related services (Bank and Financial Institution Act, 2017, Section 49). On the other hand, Class B (development banks) and Class C (finance companies) financial institutions have to obtain prior approval from the NRB to carry out foreign exchange-related transactions; Class D financial institutions (microfinance companies) are prohibited from engaging in remittance transactions (Section 49). The remittance companies can partner with foreign institutions to provide remittance transfer services with approval from NRB (Nepal Rastra Bank Remittance Bylaws, 2023, Section 12).

6.2 Regulatory Framework against Money Laundering and Financing Terrorism

Regulations related to anti-money laundering (AML) and combatting the financing of terrorism (CFT) constitute a key component of the regulatory framework for remittances in any country and are key to protecting the integrity of these transfers. The Money Laundering Prevention Act, 2008, is applicable to both those remitting from and to Nepal (Section 1). RSPs and BFIs involved in transactions of foreign currency must employ protection measures against money laundering. Specifically, the RSPs and BFIs that engage in remittance transactions are required to prepare their own procedures on know your customer (KYC), AML and CFT to abide by the directives issued for preventing money laundering and financing of terrorism ('Arrangements related to remittance transaction', 2022, Section 4). Also, these institutions are required to inform the NRB's Foreign Exchange Management Department on transactions of more than NPR 1 million as well as for those deemed suspicious ('Arrangements related to remittance transaction', 2022, Section 4). Such cases require the recording of the identity of the person(s) (natural or legal) involved (Asset [Money] Laundering Prevention Act 2008, Section 7). Further, transactions of more than NPR 100,000 are to be made via cheque and not cash ('Arrangements related to remittance transaction', 2022, Section 4).

All remittance companies must keep records of remittances disaggregated by country and institutions for at least five years and provide them to the Foreign Exchange Management Department of the NRB, if asked (Nepal Rastra Bank Remittance Bylaws, 2023, Section 32). Monthly reports are to be submitted within 15 days of the month's completion ('Arrangements related to remittance transaction', 2022, Section 2)

6.3 Supervision of the Remittance Regime

In 2022, the Government of Nepal (GoN) issued the Nepal Rastra Bank Remittance Transaction Supervision and Inspection Regulations. The goal of the Regulations is to make remittance transactions safe and reliable by thoroughly supervising the remittance regime of the country (Nepal Rastra Bank Remittance Transaction Supervision and Inspection Regulations, 2022, Section 3). The regulation mandates the NRB to evaluate if its laws and policies are being followed by remitting bodies and also assess their financial situations (Section 3). The NRB collects reports and information from the remitting companies and organises discussions on a periodic basis (Section 5). The proceedings of the discussions are collated in a report intended to inform policymaking as well as provide evidence for punishments levied on companies guilty of violations.

6.4 Policies to Promote Use of Formal Channels for Remittance Transfer

The GoN has been emphasising the repatriation of workers' savings from foreign employment through formal channels. The Foreign Employment Act, 2007, states that a Nepali worker's savings from abroad can be repatriated through a bank or a licensed institution, and/or the workers can bring back the sum themselves while returning (Section 69). Furthermore, the government has envisioned provisions to refund commission charges or provide special benefits to users of formal channels for remittance transfers (Foreign Employment Policy 2012, Section 9.7). The government also encourages BFIs to introduce special schemes to incentivise workers to remit via formal channels. Accordingly, the monetary policy for the 2021/2022 fiscal year provisioned an additional 1 per cent interest on deposits of Nepali workers' remittances (Nepal Rastra Bank 2021). The government has also envisioned extending the reach of the BFIs and RSPs to the village level to ensure all remittance-receiving households have access to them (Foreign Employment Policy 2012, Section 9.7). In addition, the Foreign Employment Rules, 2008, mentions that aspirant migrant workers are to be oriented on simple, easy and safe repatriation of earnings through the pre-departure orientation training (Foreign Employment Rules 2008, Section 20).

The NRB also issues Foreign Employment Saving Bonds (FESB) to mobilise the earnings of the Nepali diaspora for the country's development. The NRB initially issued NPR 1 billion worth of the FESB in 2010 with an interest rate of 9.75 per cent (NRB, n.d.[b]). The latest, issued in 2023, are worth NPR 500 million. The bonds, however, have been repeatedly undersubscribed with the NRB reporting an average sale of just 5.2 per cent over 24 issues from 2010 to 2023. Nepali migrant workers with labour permits from the GoN are also provided a 10 per cent reservation on the issuance of Initial Public

Offerings (IPOs) of companies in NEPSE (The Kathmandu Post 2024).

6.5 Remittances in Plans and Policies

The last two periodic plans of Nepal, the 15th Plan (2019/20–2023/24) and the 16th Plan (2024/25–2028/29), have acknowledged the importance of remittances to the national economy, outlined remittance-related challenges, and developed some strategies to address those challenges. The 15th listed the rampant use of informal channels for transferring remittances, the inability of the government to direct remittance inflows into productive sectors, poor accessibility of banking services to remittance-receiving households and rising trade deficits, potentially triggered by the use of remittance inflows for conspicuous consumption, as the challenges facing the GoN (NPC 2020). For this, the Plan strategized to undertake promotional and awareness-raising campaigns for productive use of remittances and increase the availability of capital by channelling remittances through the banking system. For the latter, the Plan listed working policy of encouraging banks to offer premium interest rates on remittance savings and reducing the costs of transfers.

The 16th Plan has similarly envisaged to direct remittances transfers through formal channels and mobilise them in productive sectors and capital formation (NPC 2024). Through this, it looked to maintain the macro-economic stability of the country by maintaining stable foreign exchange reserves. It also exhorted the control of the use of informal channels like *hundi*. The Ministry of Labour, Employment and Social Security's (MoLESS) five-year plan also aims to utilise remittances in productive sectors and digitalise the documentation of the records of remittances through the Foreign Employment Information Management System (MoLESS 2023).

7. Conclusion and Policy Recommendations

Remittances have become a mainstay of the Nepali economy. A historical overview of remittance inflow into Nepal shows its dominant position in the national economy in most of the 1960 to 2024 period, serving as the primary source of precious foreign exchange earnings. The impacts of remittance are also observed on other macro-economic indicators, such as tax revenues and gross capital formations, although its relationship with the gross domestic product has been somewhat weak. The positive impacts of remittances are even more visible at the household level. A unique characteristic of remittance is its direct linkage with recipient households, and thus its direct contribution to the welfare of household members. Recipient households determine the priority sectors of remittance use based on their unique needs. As such, the contribution of remittances has been evident in poverty reduction in Nepal over the last two decades, along with improved indicators in education, health and other socio-economic aspects (World Bank 2024). The poverty rate has gone down due to the contribution of remittance inflows along with growth in agriculture and social protection schemes (NPC 2015). Remittances have had positive effects on the socio-economic conditions of the recipient households and have created spillover effects in the domestic economy in the form of increased wages as well as higher incomes from both farm and off-farm self-employment incomes (Uematsu, Shidiq and Tiwari 2016). Compared to non-remittance-recipient households, those receiving remittances are more likely to invest in health, education, and durable goods, thus signalling 'the prospect of a sustainable long-term welfare gain' among the latter (Thapa and Acharya 2017, 16).

As growth in Nepal's other economic sectors, such as agriculture, tourism and manufacturing as well as overall exports, have become slow or stagnant, the prominence of remittance has grown over time, ballooning to an equivalent of about a quarter of the country's GDP. The remittance-dependent economy has also become a cause of concern, and there is a fear about the sustainability of remittances and the possible collapse of Nepal's economy if remittance flows slow down or halt due to various reasons, such as a decrease in labour demands from major labour destination countries and the permanent settlement of migrants in foreign countries where such an opportunity is available. While these concerns are valid, history tells us that remittances have become a reliable source of foreign exchange and has protected Nepal's economy even during the time of crisis, such as the recent COVID-19-induced global economic crisis. Nevertheless, Nepal needs to diversify its economy and design and implement policies and programmes to attain this objective. Furthermore, Nepal needs to

diversify the destination countries available to Nepali migrant workers, opening up corridors with better earnings and working conditions through bilateral discussions with countries experiencing labour shortages. This would increase the remittances repatriated to Nepal and protect the nation against volatility in the economies of destination countries.

NLSS data shows that Nepali households use remittances primarily to pay for daily household needs, and this is only to be expected as remittances have been the means of survival for many households in the absence of dependable incomes and alternate livelihood options at the local level, such as adequate agricultural production or local employment opportunity, for non-migrating household members. Data shows that migrant households' remittance savings and investments can rise significantly with an improvement in migration governance and control of unauthorised collection of exorbitant recruitment fees from migrant workers. Households that do not need to repay debts and receive a larger sum are likely to use remittances for saving and investments in sectors that lead to capital formation. On the other hand, high recruitment costs increase the risk of debt traps for migrant workers and reduce the overall utility of migration, necessitating, in many instances, re-migration. The larger policy initiatives should focus on enhancing the overall income of migrant households and minimising the draining of remittances for purposes such as the repayment of debts incurred in the migration process, rather than blaming remittance-dependent households and reinforcing the narrative of 'unproductive' use of remittances. The three tiers of government and development agencies have to continuously work together to attain this objective. Collaborations are also necessary at the regional and global level between and among the concerned stakeholders to eliminate migration costs and migration-related debts.

NLSS data shows significant improvements in the formalisation of remittance transfers to Nepal from most corridors. Policy interventions by the NRB to encourage formalisation, coupled with expansion of RSPs and BFIs to more remote areas of Nepal, as well as technological developments and improvements in formal transfer mechanisms in major destinations of Nepali migrants, are likely to have contributed to this improvement in formal transfer of remittances to Nepal. Only 7 percent of total remittances in Nepal entered through informal channels—personal networks, self and *hundi*—in 2023, while this rate was 30 per cent in 2011. *Hundi* users are usually higher-income migrants and remitting from high-income countries at a higher proportion. Further policy interventions are necessary to bring these remittances into the formal structure. Further easing of remittance transfers from India through bilateral discussions and further expansion of remittance service providers in remote areas of Nepal, as well as India where migrant workers are employed, could increase the formalisation of transfer in this corridor. The easing of transfers could help bring more seasonal and lower-income migrants in India into the formal structure. Besides the impact on the macro economy of Nepal, such formalisation efforts can also minimise migrants' risk of being looted on the way home and protect them from a direct financial loss. Since women remitters use informal channels at higher rates compared to men, the constraining factors in specific corridors need

to be identified and addressed in order to increase women remitters' access to formal channels.

The costs of remittance transfer to Nepal from major destinations covered in the study have declined but they are not yet within the Sustainable Development Goals (SDGs) target of below 3 per cent of the transferred amount in all countries. Continued bilateral and multilateral initiatives and engagements are necessary to further lower the remittance transfer costs. The data on remittance transfer costs, only available through the World Bank, is limited to a few corridors. Nepal Rastra Bank needs to engage with the institutions engaged in remittance transfers in Nepal and abroad to collect periodic data on the costs of remittance transfer to Nepal from all the major countries sending remittances to Nepal.

While remittances have been received by a significant proportion of households in each province of Nepal, discrepancy exists at the province level in terms of the volume of remittances received and the average amount of transfer per remitter. The relatively wealthier provinces of Nepal—Bagmati, Gandaki and Koshi—receive significantly higher proportions of remittances compared to the relatively poorer one—Karnali, Sudurpaschim and Madhesh. Remitters in the former three provinces also transferred a higher amount on average, compared to the latter three. The main reason was the discrepancy in the location of remitters: while the lower remittance-receiving provinces had a large proportion of their remitters located in India those from the higher remittance-recipient provinces were spread over countries other than India. However, even in India, migrants from the poorer provinces seemed to be employed at lower-wage jobs, and thus remitting smaller amounts of remittances compared to India-based migrants from Bagmati and Koshi. It might be important for national and provincial governments to design policies and programmes to enhance migrants' access to higher-income countries and help increase the volume of remittances to low-remittance receiving provinces.

Many student migrants and non-household members (many of whom are likely to be Nepalis with permanent residency in foreign countries) are sending remittances to Nepal. However, remittances from permanent residents are likely to gradually decline as they start investing in the country of their residence. Thus, in the context of the increase of student migration from Nepal to countries where Nepalis have the possibility of obtaining permanent residency and even citizenship and where there is a growing number of Nepalis, it is paramount that the GoN introduce various strategies to ensure their connection to Nepal remains intact, extending to future generations as well. Such connections can help Nepal through direct investments as well as indirectly through tourism.

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In the context of the high significance of remittances to the national economy, *Status of Remittances in Nepal* examines the trends and scale of remittance inflows into the country—from decades past to the present day. It provides a comprehensive understanding of the volume of remittances, who and where the remitters are, and what channels they use to remit to Nepal. The paper also discusses the characteristics of households that receive remittances and how they spend the remittances.



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