

Royal Monetary Authority of Bhutan, Thimpu
29 September 2016

Management of Remittances in Nepal

Address by Dr. Chiranjibi Nepal, Governor of Nepal Rastra Bank

Fellow Governor Mr. Dasho Penjore of Royal Monetary Authority of Bhutan
Deputy Governors of RMA
Senior Officers and Other Staff of RMA
Senior Officers from Nepal Rastra Bank

Ladies and Gentlemen,

1. It gives me great pleasure to address this august gathering on "Management of Remittances in Nepal." I am extremely grateful to Governor Mr. Penjore and the RMA for inviting me to Bhutan to deliver an address on such an important and opportune theme that has been gaining significance day by day in research and policy debate on poverty alleviation and growth.
2. Nepal and Bhutan share many similarities geographically and economically, both countries are landlocked and mountainous. However, Nepal's economy has become heavily dependent on remittance, which may not be the case for Bhutan. With the opening of Nepalese economy through economic liberalization policy and the process of globalization, Nepali people started migrating to many different countries apart from India, which is the traditional destination since very long time. A decade long internal conflict also compelled many Nepalese to seek for foreign employment.

Ladies and Gentlemen,

3. Let me illustrate a few facts related to remittance flows in Nepal. More than 4.0 million Nepalese are now working abroad and remittance sent by them has become a main source of foreign exchange. The volume of remittance inflows to Nepal has reached one third of GDP. Nepal is the third largest country in the world map in terms of the contribution of the remittance to the nation's GDP. Nepal Living Standard Survey 2011 showed that about 56 percent of households have been receiving remittance. Thanks to the growing remittances, Nepal has been surplus in the current account despite a large trade deficit.
4. In Nepal, remittance inflows has helped reduce poverty remarkably from 42 percent in 1995/96 to less than a quarter in recent years. Because of remittance inflows, service sector has been thriving, revenue collection of the government has become buoyant and overall economy has been resilient. Remittances form a critical lifeline for millions of households. They support families in raising their living standards and contribute to improved health, education, and housing. Remittance flows have always been providing for the daily needs of families during natural disaster, economic hardship, or political instability. For example, when the earthquake struck in April 2015, remittance senders were the first to respond.
5. Once the outflow of workers started increasing, NRB and private sector worked collaboratively to enhance inflow of remittance in Nepal. As recent study of NRB shows that about 90 percent of workers send their money through formal channel, only a small percentage i.e. 6 percent still use Hundi to send their money. In this context, our experience of managing inflows would be helpful to design the procedure here in Bhutan.

Ladies and Gentlemen,

6. These are just broad information on remittance. Without taking much time, before giving the floor to the Director of NRB Mr. Basudev Adhikari who will present in detail the operational and the practical aspects of remittances, I would like to thank Governor Mr. Dasho Penjore again for invitation and providing wonderful hospitality in this beautiful city of Thimpu. I would also like to invite Governor, Mr. Penjore to visit Kathmandu at appropriate time.

Thank you very much!!!