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STUDY ON
LEVERAGING REMITTANCES SERVICES WITHIN NEPALESE MICROFINANCE SECTOR

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Role of remittance for the growth and development of Nepalese economy need not be over emphasized. Despite, there are several problems and challenges for enhancing access to remittance services for the poor and disadvantaged groups in inaccessible hills and mountains of Nepal. Especially transaction cost on accessing remittance is quite significant. Considering the relatively larger depth and breadth of outreach of microfinance services through Microfinance Institutions (MFIs), emerging good practices in different parts of the world indicates that there exist tremendous potentials to leverage overseas migrant's remittances among MFIs through the improved management of remittance operation. In cognizance to this, International Network of Alternative Financial Institutions (INAFI) Nepal has financed this research on leveraging remittances services within Nepalese microfinance sector and awarded a contract to Centre for Empowerment and Development (CED) Nepal to commission this assignment.

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ABSTRACT

Considering ever increasing role of remittance for economic growth, development and improved livelihood of the poor and disadvantaged groups and in view of the relatively wide spread geographical outreach of Nepalese microfinance institutions (MFIs), this study has been conducted to investigate their potentials to leverage overseas migrant's remittances for their improved operational management. Information required for this research was used from secondary and primary sources. Primary information was gathered through focus group discussion conducted in five different sites in Kavre (Nashik, Keraghari and Panchkhal) and Chitwan (Khairaheni and Ratnagar) districts.

Remittance is a complex operation and involves systematic approaches and strategies. Of the two types of business model that co-exist in different parts of the universe, partnership approach is prevalent in remittance operation in Nepal. Nepal received remittance from India and other countries. Trend in remittance flow is increasing in Nepal and it is more from other countries than India. Growth in remittance is fluctuating both in India and other countries. Potential partners of remittance operations are either remittance companies or bank and financial institutions. Wire-based remittance companies reporting in Nepal Rastra Bank is fluctuating between 2009 and 2011. International Money Express is a leading remittance service providers followed by Prabhu Money Transfer companies. Commission in case of Nepalese Remittance Company is Rs. 75/- per transaction (irrespective of volume of transaction) inclusive of applicable taxes. After deducting tax, they receive commission of Rs. 62/- per transaction. In contrast, commission provided by international MTCs such as Western Union money transfer agent ranging from Rs.200/- to 300/- depending upon volume of transaction and country from which money has been remitted. Current commission rate is relatively low to attain sustainability on the absence of scale economy on operation.

Remittance operation is a systematic approaches consisting of chains encompassing steps such as marketing and selling remittance; originating and funding; sending, clearing and settlement of transfer orders; receiving a remittance order; paying a remittance order, and customer services. Thus most of the activities on remittance operation are not directly observable. Prior to deciding to be the part in remittance operation, MFI need to undertake through external and internal assessment.

Findings of this study revealed that 69.5 percent remittance is used for consumption and only 30.5 percent is used for productive purpose. Further, over 45% of remittance income is used for the repayment of loan borrowed for financing migration. This implies that migrant families have yet to use remittance for productive purposes. Challenges for proper use of remittance include inability of banks and financial institutions to retain remittance money under banking system; and pressing need of families to repay pre-migration loan received from informal sector. Productive use of remittance requires systematic approaches encompassing access to financial literacy, enterprise development and BDS among others.

There are both opportunities and challenges related to the entry of MFIs into the remittance market. Opportunities exist in aspects such as delivery of cost effective quality services, support on building safety nets, attracting new clients and cross-selling of other microfinance

products, increasing loyalty among existing clients, generating income from fee based product, and mobilizing savings and strengthening lending capacity. There are however challenges prevails in areas of regulatory and licensing requirement, readiness and institutional capacity, identification and penetration of an appropriate market niche, high entry cost, partnership identification and agreement and operational challenges on liquidity management, money management, information management, client's services, medium of payment and compliance. External support on policy changes in legal and regulatory environment, capacity development and technology support is required to ease entry of MFIs in remittance operation.

Contrary to the conventional notion that migrants require support during migration, FGD conducted in this research revealed that migrants expect external assistance during entire migration cycle. Further, it is evident that they require both financial and non-finance services from government and non-government organizations. Migrants expectations during the pre-migration phase is related to access to information on migration opportunities, remittance led lending and support to migration process. Besides remittance services, migrants are expecting other services such as access to finance to their family members, savings and cash management services, technical advice for productive use of remittance and BDS during their stay abroad. Returnee migrants were found quite concern regarding their future. Most of them are not willing to go back for overseas migration again. In order to uplift their quality of life, migrants are expecting support in aspects related to access to finance, enterprise development, access to non-financial services and training/capacity development. This implies that there exist tremendous possibilities of leveraging remittance on microfinance operation and such an effort should focus at meeting expectations of the migrants at different cycle of migration.

Findings of this study revealed that Nepalese MFIs are not adequately sensitization towards leveraging remittance services in their overall operation and they have yet to realize remittance services as one of the viable product for their operation and management. Since Nepalese MFIs already have enough products and services to justify viability of their operation, they have not yet thought the need to invest on research and development on different dimension of their operation. Some MFIs have experienced difficulties to obtain permission for remittance operation and unhealthy competition among remittance service providers has eventually affected overall operation and management of those MFIs that have already ventured into remittance market.

There is a need to leverage remittance services among microfinance operation to realize full potential of remittance for local economic development and growth. In view of this, future work in remittance sector should focus at sensitizing MFIs, market penetration, packaging of services (full-fledged packages), liquidity management, ensuring economy of remittance operation, devising effective partnership model, technology support, providing effective savings and cash management support, promoting remittance linked lending, creating an enabling environment for business development and extending non-financial support services for migrants and their families. This study has recommended actions to be undertaken by agency, government/regulators, MFIs and clients in order to facilitate effective leverage of remittance on microfinance operations.

It has been recommended to ensure the productive use of remittance by integrating remittance services into their operation, promoting remittance linked lending to migrants' families, ensuring access to finance to migrants' family members, savings and cash management services, supporting to enterprise development, accessing to non-financial services and support to ensure productive use of remittances. Enabling migrants' families to use remittance services on productive purposes requires package of services encompassing technology, skills, raw materials (input) management, market linkages and networking, business plan preparation and business consultancy services. Finally, it has been recommended to design and implement an enterprise development program especially for migrant's families to create enabling environment to ensure use of remittance on productive purposes.

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ACRONYMS AND ABBREVIATION

ABBS	:	Any Bank Banking Services
AML	:	Anti Money Laundering
ATM	:	Automatic Teller Machine
BDS	:	Business Development Services
BISCOL	:	Bindabashini Savings and Credit Cooperatives Ltd.
CBO	:	Community Based Organizations
CFT	:	Combating Finance for Terrorism
CGAP	:	Consultative Group to Assist the Poorest
CLBB	:	Chhemek Laghu Bitta Bikas Bank
CSO	:	Civil Society Organizations
DBB	:	DEPROSC Bikas Bank
ECS	:	Excellence Cooperative Services
FGD	:	Focus Group Discussion
FI-NGO	:	Financial Intermediary Non-Government Organization
GON	:	Government of Nepal
GDP	:	Gross Domestic Product
IFAD	:	International Fund for Agricultural Development
IG	:	Income Generation
ILO	:	International Labour Organization
IMF	:	International Monetary Fund
INAFI	:	International Network of Alternative Financial Institutions
MDB	:	Microfinance Development Bank
MEA	:	Micro-enterprise Activities
MFIs	:	Microfinance Institutions
MOF	:	Ministry of Finance
MTC	:	Money Transfer Companies
NBL	:	Nepal Bank Limited
NLSS	:	Nepal Living Standard Survey
NMS	:	Nepal Migration Survey
NRB	:	Nepal Rastra Bank
NUBL	:	Nirdhan Uthan Bank Ltd.
POS	:	Point of Sale
SCC	:	Savings and Credit Cooperative
SFCL	:	Small Farmers' Cooperatives Ltd.
SFDB	:	Small Farmers' Development Bank
SWOC	:	Strengths, Weaknesses, Opportunities and Challenges

1. INTRODUCTION

1.1 Country Context

Scale of migration and remittance is staggering in Nepal over the last one decade or so. Almost half of all Nepalese households have at least one migrant family member abroad or a returnee. Estimates of the number of Nepali migrants abroad vary widely, but the most frequently cited estimate, including seasonal workers in India and those who use informal channels, is about 4 millions. This constitute about one third of working male population. Foreign remittance now constitutes a quarter of the income of all households and almost two-thirds of the income for those receiving money from abroad (MOF Economic Survey 2010/11). In FY 2009, "official remittance" measured by the Nepal Rastra Bank (NRB) totalled US$ 2.7 billion, or 22 percent of Gross Domestic Product (GDP). This figure excludes remittance from India and informal flows and there total inflows could easily exceed 25 percent of GDP. International migration has thus become the most important economic activity in Nepal. Foreign exchange earned from migration is higher than that of export receipt and official aid combined.

Ubiquity of Nepali migration is confirmed by its uniform distribution with almost everyone - rich, poor and people from Mountains, Hills and Tarai as well as from all the five development regions - migrating. Migration has spread through networks and now involves entire country. Given the limited and/or scarce domestic employment opportunities and ever increasing trend in migrant networks, large section of youth population is expected to migrate in the coming years and reverse trend is less likely in the foreseeable future.

Nepal Migration Survey (NMS) 2009 estimates the number of Nepali migrants abroad at 2.1 million. Their key destinations are India, the Gulf countries and Malaysia, with notable numbers of other developed countries such as Australia, Japan, the United Kingdom and United States. India is estimated to have 867,000 (38 percent). Malaysia is said to have 245,000 (12 percent) while 186,000 (8.7 percent) are in other developed countries mentioned above. Often the quoted number of migrants in India range between 1.5 and 3 millions[1]. India is also the key transit point for Nepali migrants using informal channels. Since without proper documentation, migrants cannot fly out from Kathmandu valley and are compelled to use informal agents in India. There are instances where migrants often fly to destinations prohibited by the government such as Afghanistan and Iraq. Women migrants who could not receive letters of guarantee from Nepali ambassadors in destination countries for the safely of the work also migrate through India.

A majority of the migrants are within the age group of 20-44 years and there has been instance of shortage in domestic labor supply in many rural areas due to flight of this category of economically active people abroad. Many migrants are in their mid 20s and the age distribution graph of the population remaining in Nepal has a dent around that age. As a result, labor supply in rural areas has fallen significantly, raising real wages in many cases. On the other hand, many male members of remittance receiving households have less incentive to work and have reduced their labor thereby exacerbating labor shortages.

[1] Differences between NMS survey and other estimates may be explained in part by the seasonal return of many migrants to Nepal, as this survey was carried out at the peak of Nepali farming season (May-June) when many migrants who normally reside in India were back working on farms at home.

Migrants send remittance to their family back home. The amount of remittance a household receives depends on the destination of its migrant members. Per capita receipt of remittance generally increases with recipients' household wealth, presumably more skilled and educated migrants tend to receive better income overseas. In terms of regions, the Western Hills and Eastern Terai receives the most remittances.

Since most of the Nepalese workers are unskilled or less skilled or poor as far as educational level is concerned, securing a foreign job is often costly to them. It has been estimated that the average cost for a worker to Gulf Countries and Malaysia is Rs. 109,700 (US$ 1,430) and Rs. 378,000 to go to other developed countries. Getting a job in India cost about Rs. 5,250/-. Ironically, there is absence of mechanism for financing overseas migration from banking and financial sector. In most cases, migrants are compelled to finance their overseas migration from own savings and help from family members or borrowing from costly informal sources or sale of their properties (NMS 2009)[2].

Remittance is a multi-million dollar industry and remittance intermediation is one of the emerging attractive businesses with almost unlimited potential[3]. Despite that notable proportion of Nepalese youth migrates to different countries for employment and despite that sizable volume of household income flows in the form of remittance, remittance sector is yet to be formalized. Traditionally, wire transfer companies such as Western Union or MoneyGram are the most common formal means of sending remittances and lately there are instance of gradual entry of bank and formal financial institutions into remittance market. Issues such as financing overseas migration, ensuring employed safety, channelling remittance into formal sector and ensuring productive use of remittance are some of the outstanding issues related to overseas migration in general and to families living in inaccessible remote areas who are seeking foreign employment and receiving remittance.

1.2 Statement of Problem

Remittance services have been emerging as one of the essential services among the poor and disadvantaged groups in different parts of Nepal. Rural people receiving remittance lack or have limited access to efficient and reliable remittance services. Travelling to nearest pay-out point is often time consuming and costly thereby reducing effective amount of remittance received. Since each withdrawal has a high personal overhead cost, saving some amount of the remittance is not attractive in many circumstances.

Recent studies emphasize that migrant remittances and their investment are hampered by inefficiencies and access barriers in financial services both in sending and receiving countries. While estimates indicate that one third of global remittances flow through informal transfer channels, countries with weak financial sectors and systems tend to have the highest remittance flows from such channels. This has been essentially a regulatory concern which has limited the opportunity for poor men and women to become better economically integrated towards the financial systems.

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[2] Loans from friends/relatives cover 22 percent of the cost and loans from village moneylenders, nearly a one-half of the cost. The average interest on these loans is high – 23 percent when borrowed from friends and relatives and 30 percent when acquired from moneylenders.

[3] Manuel Orozco. 2005. "*Remittance – Global Opportunities for International Person to Person Remittance*" London: VRL Publishing.

Ineffective remittance services are attributable to lack of proper policies and regulations towards provision of financial services, as well as the lack of interest or awareness among financial institutions towards emerging business potentials[4]. Remittances offer tremendous business opportunities to financial institutions. In Nepal migrant remittances have reached tremendous volumes. At the same time, there is a significant and growing demand for remittance system in domestic markets that would serve both individuals and businesses (micro, small, medium and large) for payments of all kinds.

People through-out Nepal migrates to different countries for employment and remits their income earning to their families back home. Due to concentration of remittance service providers, both wire transfer companies and banks/financial institutions, in urban and accessible areas, migrant's families often face difficulties on receiving cash remitted by their migrating family member abroad. Microfinance institutions (MFIs) which have relatively large branch networks in relatively interior (rural) areas are yet to be brought under the ambient to remittance operation due to several inherent difficulties. Since most of the MFIs works with low-income clients living in underserved geographical areas, they have comparative advantages to serve these families. Due to this, an increasing number of MFIs have expressed their interests to enter into this dynamic and rapidly growing market in the recent years. Entry to remittance operation has been instrumental to many MFIs to meet their social goals of delivering an additional services demanded by low income customers often at a cost lower than that of mainstream providers[5]. In general, close proximity of MFIs to client groups and communities that receive remittance; and their experiences serving low-income populations may uniquely position MFIs to reach recipient populations with low-cost remittance products and to offer them access to other financial products that they may not have found accessible otherwise.

Development impact of remittances on recipient households are, potentially, greatly enhanced by channelling funds through formal financial institutions, particularly MFIs. There exist likelihood that leveraging of remittances through MFIs may enable remittance receivers to access business development services (BDS), social support programs for returnees and other community development activities which generate high social and economic returns.

1.3 Rationale/Justifications

Remittance generates both microeconomic and macroeconomic effects. In microeconomic terms, remittances make an important welfare contribution to receiving household and often provide emergency stopgap monies, tend to increase during an economic downturn or following natural disaster, improve standard of living through funds that are typically invested in human and social capital (e.g. health care, nutrition, education) and in building assets (e.g. real state, business, savings) and generate ripple effects that impact extended family and community beyond receiving households, due in part to increased consumption. In macroeconomic terms, remittances provide a stable flow of funds that is often counter-cyclical. Remittance increase fund flow during the time of economic downturn, offer an important source of foreign exchange and exert upward pressure on the value of the local

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4 For instances, for the financial institutions located at receiving end of remittance corridor, remittance offer opportunity to develop new product and acquire new customers from low income communities. They have realized these market opportunities that could make operations down market a viable option.

5 Isren, Jennifer, Rani Despande, and Judith van Doorn. 2005. *"Crafting a Remittance Strategy: Guidance for Pro-poor Financial Service Providers"* CGAP Occasional Paper, No. 10, Washington, DC: CGAP.

currency in cases of high inflows of remittances. Nevertheless, opportunities for recipients to make productive use of remittance vary from situation to situation due to poverty levels, ease of access and investment opportunities. Investment of remittances in savings and assets is severely constrained by limited access to appropriate financial services.

Overtime, financial service providers that cater to the poor has been drawn to remittance market because it offers them opportunity to fulfil their financial goals and social objectives. As a fee based product, remittance service has potential to generate revenues and bolster the status of people below the poverty line. Such opportunities have motivated banks and financial institutions to increasingly upgrade their technology so as to compete with money-transfer companies and diversify their services.

While remittance may, in some respects, be compared to other capital flows such as foreign direct investment or official development assistance, these flows are characterized by different functions, economic effects and policy frameworks. Migrant remittances are primarily personal or private transfers against the commercial or public transfers. In order to send money back home, migrants often hold multiple jobs and limit their own spending. Channelling remittance through formal mechanism, which is accessible and attractive to the consumers has potential to increase financial transparency and promotes inclusion of a largely "unbanked" population in financial system. Mainstream financial systems, however, have not created financial mechanisms for the transfer of money among many remitters and receivers. Remittance thus represents a market opportunity for financial institutions ready to provide downstream services on a profitable basis.

Nepalese MFIs have an extensive network particularly in rural areas. With an increasing number of Nepalese migrant workers and subsequent follow of remittances, it is envisaged that this extensive networks of MFIs has the potential to leverage remittances as a one of the sources of development finance for mutual benefits of MFIs and their clients. However, the least is known about the situation on MFIs in Nepalese remittance market and there is no systematic study that identifies opportunities and challenges for MFIs' entry into Nepalese remittance market and feasibility of leveraging remittances among Nepalese microfinance sector. This research has been designed as a response to these queries as they relates to Nepalese microfinance market.

1.4 Objectives

This study aims at investigating potentials of Nepalese MFIs to leverage overseas migrant's remittances into their operational management. The specific objectives of this study are the following.

- Document the situation on MFIs in Nepalese remittance market.
- Identify opportunities and challenges for MFIs' entry into Nepalese remittance market.
- Assess the feasibility of leveraging remittances among Nepalese microfinance sector.
- Suggest the strategies and implementation plan for leveraging remittance services among Nepalese microfinance sector.

1.5 Scope

The scope of this study included the following.

- Situation analysis of MFI in remittance market

- Review the involvement of MFIs in remittance market,
- Conduct one-to-one meeting and consultative meeting to assess the status of existing business models for retail remittance market – direct approach, partnership (single versus multiple) approach and potential partners (remittance companies, banks and financial institutions) and remittance operational process (value chain) in remittance market – marketing and selling of remittance products; originating and funding; sending, clearing and settlement of transfer orders; receiving of remittance order, paying a remittance order and customer service),
- Identify the potential partners for remittance operation in Nepal.
- Identify the risk and challenges inherent to remittance and document the current strategies and practices adopted by remittance service providers to streamline the remittance operation
- Identify strengths, weakness, opportunities and challenges of remittance operation within microfinance sector.
- Document latest ideas and initiatives in remittance operation to make the entry of Nepalese MFIs into the remittance market easier.

- Feasibility assessment: assess the feasibility of leveraging oversea migrant remittance into the operational management system of Nepalese MFIs
- Capacity development need assessment to enable Nepalese MFIs to operationalise remittance operation
  - Develop a strategy for involvement of MFIs in remittance market that will enable Nepalese MFIs realize existing and emerging opportunities as well as overcome challenges for their successful entry in the remittance market,
  - Identify areas of interventions (training, exposure visit, technical advice, etc.) required to develop the capacity of the Nepalese MFIs to operate in the remittance market,
- Develop implementation plan for promoting remittance services through MFIs
  - Development and marketing remittance products - management of product portfolio and product development (client preferences, institutional capacity and pricing).
  - Promotion of remittance products.
  - Creation of institutional framework – developing remittance policy and establishing delivery channels.

1.6 Report Organisation

This report is organized into five sections. After this introductory section, section two provides the findings of the review of relevant literature on leveraging remittance among microfinance institutions around the globe. Section three outlines methodology adopted in this research while section four presents the results and discussions of this research. The report concludes with summary of major findings, conclusions and recommendation in section five.

2. REVIEW OF LITERATURE

This section of the report provides a literature review in the areas of migration, remittances and financial inclusion. The section begins with a brief examining these areas in relation to international migration and remittances with a further note on internal migration and domestic remittance flows and financial inclusion.

2.1 Composition and Use of Remittance

In general remittance is defined to include both financial and social aspects in the form of cash and non-cash transfers such as food, jewellery, gifts, etc (Valeer and Yavuz 2009). The mode of transfers includes banks, MFIs, Money Transfer Companies (MTCs), informal channels such as individuals, etc (Sarpong 2011). Review of available literature reveals that remittance has been used by receiving families who can be their dependents or relatives in their home country both for consumption and investment purposes. There are divergent theoretical opinions outlined in the academic literature regarding the principle uses of remittances by the receiving family.

Remittance income is used for immediate consumption (Lipton 1980 and Russel 1992). There are cases where remittance has promoted asset accumulation in housing and land acquisition. Remittance is spent on consumption that is status oriented (Taylor 1992). They also assert that part of the remittance go into savings or investments, however, these researchers lamented that some of the remittance are spent on assets like housing, land, jewellery, etc. which the research deem as unproductive. This pessimistic view about the value of remittance has been countered by other findings. For example, Edwards and Ureta (2003) concluded that remittance has played a positive role. They assert that remittance receiving households spend more money on education than money from other sources in El-Salvador. This finding is consistent to the findings of the Young (2005) that remittances promote education[6]. Findings of Osili (2004) in Africa indicates the use of remittance mainly for housing and that of Woodruff and Zentano (2007) in Mexico provides indications of contribution of access to capital from remittance to build or expand their microenterprises. In most countries productive use of remittance is a matter of academic and policy debate.

2.2 Remittance and Financial Inclusion

Access to financial services[7] is important for both households and firms. The households' access to financial services is important for poverty reduction, risk mitigation and inclusion, and that of firm's access to finance matters for achieving the growth objectives (Demirguc-Kunt 2007). With the growing number youth migrating overseas, remittance has emerged as one of the important financial services for the poor and disadvantaged groups. Despite that potential benefit of remittances at both household and economy levels are well documented, the exact causality is yet difficult to establish. Remittances go directly to individuals, they help smooth consumption, they are stable and counter-cyclical, they are cheaper than borrowing and do not incur the risk of loan refusal and they can increase the status of recipients. There are instances of negative consequences of migration and remittances. Human capital may leave a country with a scarcity of much needed skilled labor; there may

[6] There are cases where remittance money is spent in education in Philippine.

[7] Financial services encompass savings, credit, insurance, remittance and leasing.

be conspicuous consumption and a reduced incentive to work on the part of recipient households and existing inequalities may be worsened with only the relatively better off households able to finance costs of migration. Moreover, employment conditions for the migrant may be hazardous and insecure, with the workers susceptible to new forms of exploitation. Other family members, particularly children, may suffer as a result of prolonged parental absence. Over time these negative impacts may be mitigated, with, for example, the growth of migrant support groups and networks and inter-generational benefits may be experienced even if short-term initial benefits are few and far between (Demirguc-Kunt 2007).

Toxopeus and Lensink (2008) has examined both demand and supply factors related to remittances and financial inclusion. On the demand side they note that remittance senders need at least one financial service and that this in itself may induce people to look for the financial services outside their immediate neighborhood. The authors continue to note that the proportion of remittances saved, invested and used for entrepreneurial activities indicates a demand for complementary financial products to that of money transfer. Moreover, it is only the formal sector (the banks) that is able to offer such a range of financial products. On supply side, Toxopeus and Lensink (2008) note how commercial banks are increasingly interested in remittance business given the size of the flows and the opportunities for cross-selling. Regular remittances can reduce information problems for banks, can help clients build up a good financial history and a regular future inflow of funds enable them to repay loans. Basu (2007) identifies that migrants may well face additional barriers e.g. lack of identification documents valid for different parts as far as their participation in formal remittance services.

Remittances are important, not only to meet the consumption needs of a household, but also for investment in agriculture. As such remittance provides scope for accumulation of wealth and asset creation for households in addition to providing basic consumption needs (Samal 2006). But to send money back to their villages, migrants have few options: (a) carrying it back themselves or sending it through friends and relatives visiting home, (b) sending it through the post office by a money order, (c) sending it through a bank by bank draft, (d) sending it through an informal remitter (Ghate 2005). Among these options the first and the last involve the informal market; the second is seen as expensive and sometimes difficult by remitters as it requires filling a form in the language of the destination. Finally, sending money through a bank is rarely feasible since most migrants don't have a bank account, either at origin or destination or both. Because of the lack of options for money transfer, migrants cannot send money home as regularly as necessary (Thorat et al 2009).

2.3 Microfinance Institutions in Remittance Market

Remittance market comprises of both international and domestic payments (CGAP 2008). It encompasses all types of customers, including individuals, businesses and governments. Remittance recipients use either highly regulated formal channels or unregulated informal channels. Remittance benefit low-income people directly and one demand because it represents private money sent person to person with the involvement of remittance service providers mainly international MTCs.

There are two business models for remittance operation. These are direct approach and partnership approach. The formal approach relates to offering direct remittance services using

systems developed in house by banks and financial institutions that range from basic systems built around their core accounting package to more sophisticated systems based on specific electronic funds transfer systems. On the other hand, the later refers to offering remittance services in partnership with one or more remittance companies, such as Western Union or MoneyGram (CGAP 2008).

Remittance operation involves a number of steps that begins with the decision of migrants residing in the home country or abroad (the remitter) to transfer money or other items (remittance) to a beneficiary, usually a household member of the remitter's family (Sarpong 2011 and IFAD 2009). The first step begins, when the sender of remittances contracts a MTC or the Bank that acts as the "sending agent" for remitter. After depositing money to be transferred to the sending agent in the country where the migrant (remitter) is located, the sending agent delivers payment instructions to a payment agent in the place where recipient resides or where the recipient intends to collect remitted amount. In the last step of money transfer process, household member of migrant remitter's family or intended beneficiary of remittance presents proper identification for remittance payment, subject to applicable transaction fees or payment conditions. Different MTCs have different sending and collection instructions that are tailored to meet money transfer regulations of governments of both the sending and receiving nations as well as conditions prescribed by the MTCs (Sarpong 2011).

In the market of remittance transfer, factors affecting the choices of remittance agent include (i) speed and reliability, (ii) safety and trust, (iii) choice of currency, and (iv) availability of varied distribution channels. Remittance operation demands that transfers arrive properly and can be quickly paid to intended beneficiaries (CGAP 2007). In order enable poor and disadvantaged groups benefit out of the remittance service, there is a need to facilitate the entry of MFIs into the remittance market. There are ways through which more MFIs could be attracted on remittance operation. Entry of MFIs in remittance operation requires enabling environment, support for capacity development and technology (CGAP 2007).

2.4 Leveraging Remittance Services among Microfinance Institutions

Judith Shaw and Robyn Eversole (2007) uncovered that appropriate, accessible and affordable financial services have a key role to play in assisting migrant families to manage their money and build financial assets. It has been found that interests of low income migrant families are best served by policies aimed at reducing costs of migrating and remitting, promoting financial literacy, access to financial services and protecting welfare of migrants abroad and their families at home. On the other hand, in order to serve the interest of the MFIs for their entry into remittance market, there is a need to build their capacity to meet the interest of low income migrant families. The result of their study confirmed that remittance clearly makes important and growing macroeconomic contributions, but the development dynamic at household level is complex and varied – both among households in the same country, as well as among country contexts.

MFIs are well-suited to address some of the key financial service needs related to remittance given the relatively poor socio-economic backgrounds of many remittance-receiving households and small size of most of their transactions (Judith Shaw and Robyn Eversole 2007). They suggested that there are four distinct areas namely (i) money transfer services, (ii) savings and cash transfer services, (iii) remittance linked lending and (iv) non-financial services where development impact of remittances could be leveraged, both within and

beyond remittance receiving households, by the MFIs. Specific opportunities for MFIs vary from country to country according to the (i) nature and outreach of the microfinance sector, (ii) existing key player in financial markets, (ii) nature of remittance receiving market, and (iv) policy and regulatory environment for MFIs (Judith Shaw and Robyn Eversole 2007).

2.5 Productive Use of Remittance

Ensuring productive use of remittance has been the matter of academic and policy concern. ILO (2009) documented that remittance promote financial development and allow for accumulation of positive assets due to their potential to accumulate positive assets by overcome capital market imperfections as a consequences of relieving credit and insurance constraints. It also found that households spend remittances not only in consumption but also investment then in human capital (education and health care, reduction of child labour), physical capital (micro-enterprise, property and purchase of machinery) and financial capital (savings and investments). In order to enhance efficiency and effectiveness of development impact of remittance, there is a need to (i) reduce transaction cost of remittances transfer, (ii) disseminate information on types of transfer channels to use as well as establishment of voluntary codes of conduct for fair transfers, (iii) strengthen the formal financial infrastructure supporting remittances, (iv) improve access to financial services in recipient economics as well as in sending economics for migrants and their families back home, and (v) exempt the taxes on remittance income (ILO 2009).

Remittances do not automatically contribute to national development. In order to formulate effective and efficient public policies to channel remittances into productive projects, the government has to identify factors that motivate remitters to send money home particularly beyond individual family remittances. While the policies and initiatives undertaken so far to augment the impact of remittances are primarily aimed at encouraging sending remittances through official channels, their utilization aspect has been largely ignored. Directing remittances to productive investments is a challenge for government. Families of migrant workers should be encouraged and trained so that they are able to undertake small businesses which will generate jobs and help improve the domestic economy. As a long term measures, skills and technology brought about by migrant workers should be appropriately integrated on enterprise development and growth (Pant 2010).

Given the possibility that remittance could be inconsistent or decline in some foreseeable future, remittance receivers must have a contingency plan so that they are prepared if and when they stop receiving the remittance. In such a situation remittance receivers need to minimize dependency on remittances by (i) behaving as if they won't receive the remittance next month, (ii) having other sources of income such as small business and salaried job, (iii) covering basic household needs with income from a business or job, and (iv) managing remittance as a separate source of income. Alternatively remittance receiving families must invest remittance in their future and ensure that they have an income even if they stop receiving remittance in addition to prioritize saving and create an emergency fund (Global Financial Education Program 2008).

Michael et al (2009) have highlighted the need of packaging of microfinance product to ensure productive use of remittance and recommended three examples of how combining two or more financial products can actually compound their individual developmental value, as it enables to design incentives to remittance senders/receivers to use their money productively.

Siddiqui and Abrar (2003) found that none of the MFIs in Bangladesh are involved in the utilization of remittances. Despite that some MFIs were aware that their credit money was used to finance migration of members, none of them have developed any programmes targeting remittance of migrant workers. Over time, some entrepreneurs have emerged who can manage larger amounts of credit. In order to transform micro-credit receivers into micro-entrepreneurs some MFIs have recently begun enterprise development programmes wherein remittance receiving families could benefit from such programmes if they could be linked with the innovative programmes that these MFIs are developing. There are cases of MFIs piloting remittance linked lending products.

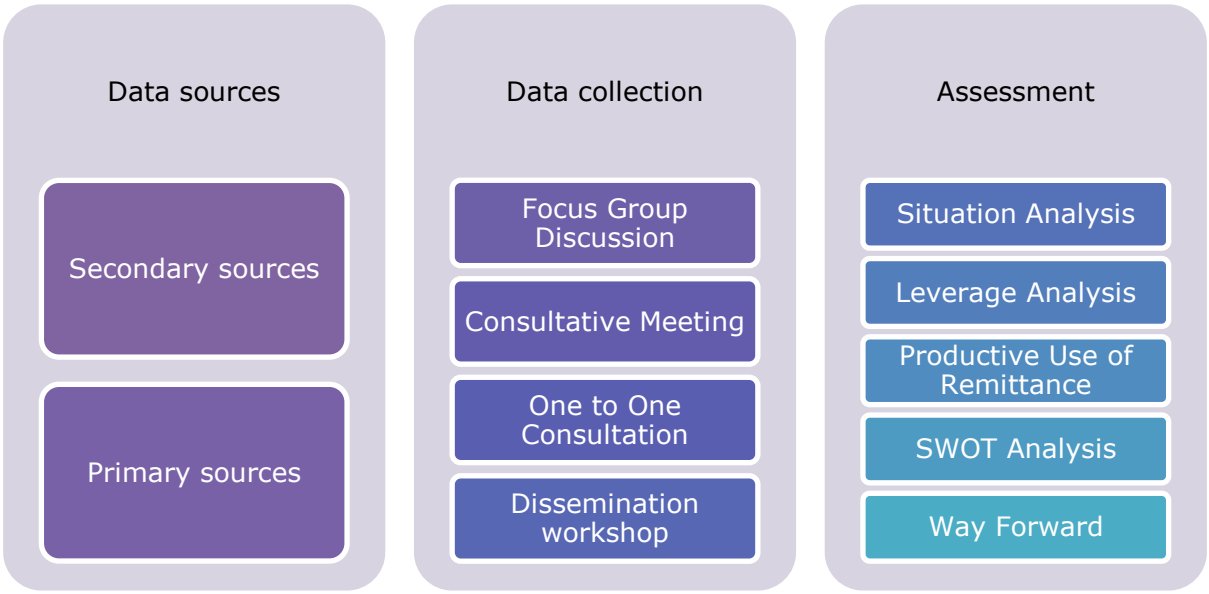
3. RESEARCH METHODOLOGY

This research has two broad areas of enquiry: (a) extent of remittance flow and its current transfer process and (b) potentials of involvement of MFIs in remittance transfer and ensuring productive use of remittances. In order to establish this relationship, this research requires information from various government, non-government and private sector organizations including banks and financial institutions, remittance sending and remittance receiving persons, etc. Thus, information collected both from secondary and primary sources are used in this research.

3.1 Overall Methodology

Methodology adopted in this research encompasses three stages namely data sources, data collection and assessment. Figure 1 outlines the methodology used in this research.

Figure 1: Methodology of the Study



3.2 Data Sources

Data required for this research were obtained both from secondary and primary sources. A description of data sources of this research follows hereunder.

3.2.1. Secondary Sources

Secondary sources of information for this research includes the review of published and un-published information available in different agencies engaged on remittance operation namely Nepal Rastra Bank, Commercial Banks, MFIs, remittance service providers and Nepal Living Standard Survey III published by Central Bureau of Statistics. These institutions were visited and available secondary information and related literatures were reviewed to collect secondary information used in this research.

3.2.2. Primary Sources

Primary sources of information for this research include information collected through field survey and discussion with key informants and institutions. Primary data were generated through primary sources and to ensure systematic data generation and ensure relatively fair inclusiveness, data were generated from four different levels: banks and wire-based remittance service providers; MFIs; other key stakeholders including regulators and households. A discussion on data collection at each level follows hereunder.

Banks and other remittance services providers
Survey of banks and wire-based remittance service providers were done to gather information on current status on remittance operation. Banks surveyed include Nabil Bank Limited and Everest Bank Limited, remittance service provider namely Excellence Cooperative Services and wire-based services providers surveyed include International Money Express and Prabhu Money Transfer Company. Discussion with these institutions focused on problems and prospects of leveraging remittance operation through Nepalese MFIs and gauging the role of MFIs in attracting, transferring and administering remittance.

Micro-finance Institutions
In this research survey was conducted representing both categories of MFIs namely MDBs and FI-NGOs working in Nepalese financial market. This research followed two methods to collect required inputs from MFIs: central level and field office level.

At the central level, interviews were conducted with CEO and executives of selected MFIs namely Chhemik Laghu Bitta Bank Ltd. (CLBB), Nirdhan Uthan Bank Ltd (NUBL), Swalamban Bikas Bank Ltd. DEPROSC Bikas Bank (DBB) and Nerude Laghu Bitha Bikas Bank Ltd., Manushi, Jeevan Bikas Samaj and DEPROSC NGO and Bindhabasini Savings and Credit Cooperatives (BISCOL). These MFIs were inquired on different aspects of remittance operation including possibilities of productive use of remittance.

Three MFIs and one SCC were selected for field office level study. These institutions are CLBB, NUBL and DEPROSC Bikas Bank and. Branch offices of these MFIs were selected in Kavre and Chitwan districts. Banepa branch of DBB and Tandi branch of CLBB and NUBL and Panauti office of BISCOL were selected for this research.

Other stakeholders
Other stakeholder interviewed includes officials from Nepal Rastra Bank, National Planning Commission and Ministry of Labor and Social Welfare. These stakeholders were inquired on process and polices on remittance operation in general and government efforts and policies on productive use of remittance in particular. Further, information required for understanding of the extent of remittance flow and its transfer process; assessing levels of involvement of commercial banks, development banks, finance companies, MDBs, FI-NGOs, SCCs, SFCL, MTCs, transfer agencies on remittance operation were also discussed.

Household level
Study team attended center meeting of selected branches of MFIs and SCCs to collect household level information through conduct focus group discussion (FGD). Household level information were collected through FGD representing three different categories of households namely those (i) preparing for migration, (ii) receiving remittance and (iii)

returnee from overseas migration. Five FCGs were conducted to gather household level information. FGD were conducted in Keraghari and Panchkhal (DBB); Nasik (BISCOL) and Khairani (NUBL) and Ratnagar (CLBB).

3.3 Data Collection Method

Data collection methods used in this research includes focus group discussion, consultative meeting, one-to-one consultation and dissemination workshop.

Focus Group Discussion

In this research FGD was conducted at five different places, three in Kavre (Keragari, Panchkhal and Nasik) and two in Chitwan (Ratnagar and Khaireni). FGD were conducted in the centers of the MFIs surveyed during field studies. During FGD, centre members were inquired on various aspects related to migration and remittance and inquiry was designed to gather information from households (a) with family members (i) preparing for migration and (ii) returned from overseas employment and (b) receiving remittance from migrant family members (Table 1).

Table 1: Overview of Focus Group Discussion Conducted in this Research

S.N.	Name of MFI	Village	Total Members Present	Composition of Members				
				No relevance on remittance	Preparing for Migration	Currently receiving remittance	Returnee	% not related to remittance
1	BISCOL	Nasik	25	16	2	4	3	64
2	DD Bank	Keraghari	15	12	1	1	1	80
3	DD Bank	Panchkhal	25	17	2	4	2	68
4	Chhemek Bank	Khaireni	35	29	1	3	2	83
5	Nirdhan Uthan Bank	Ratnagar	30	18	4	6	2	60
	Total		130	92	10	18	10	71

Source: Field Survey October 2011

Consultative Meeting

Preliminary findings of this research were shared among the participated of the two workshop organized by INAFI in Biratnagar and Chitwan. Over 40 participants from different MFIs participated in these workshops. Presentation in the workshop was followed by group work wherein participants provided their invaluable feedback to the study team.

One to One Consultation

One to one consultation was done with Chief Executive Officer (CEO) and Board of Directors (BODs) of banks and financial institutions. One to one consultation was done with key staff of Nepal Rastra Bank, Nabil Bank Ltd., and Everest Bank Ltd., CEO/BODs of Excellence Service Cooperatives, CLBB, NUBL, Swalamban Bikas Bank Ltd. DBB and Nerude Laghu Bitha Bikas Bank Ltd., IME and Prabhu money transfer. One to one consultation focused on different aspects related to situation of MFIs in Nepalese remittance market, opportunities and challenges for MFIs' entry into Nepalese remittance market, feasibility of leveraging remittances among Nepalese microfinance sector and suggestion on strategies for leveraging remittance services among Nepalese microfinance sector.

Dissemination Workshop
INAFI Nepal organized a dissemination workshop in December 2011 in Kathmandu wherein key findings of this research were shared among the participants. The participants provided invaluable observation, comments, feedback and suggestion on the research findings which has been incorporated in this report.

3.4 Data Collection Tools

Checklist is the main data collection tool used in this research. In order to ensure systematically collection of information required for this research, four sets of checklist were prepared in this research. These checklists includes (i) institutional checklist to collect information from MFIs and cooperatives engaged in remittance operation, (ii) checklist for collecting information from families with member preparing for overseas migration, (iii) checklist for collecting information from families receiving remittance and (iv) checklist for collecting information from families with returnee member. These checklists were used for collection different information required for this research.

3.5 Information Processing and Analysis

The information collected from different sources was compiled, consolidated and analyzed. Analysis was done under both quantitative and qualitative assessment framework. Wherever relevant, qualitative data were used to substantiate the qualitative information.

3.6 Assessment Technique

Assessment of this research encompassed series of stages including (i) situation analysis, (ii) SWOC analysis, (iii) leverage Analysis, (iv) productive use of remittance, and (v) suggesting way forward. Information gathered from different sources was used to document the situation on MFIs in Nepalese remittance market which created basis for undertaking SWOT analysis along with identifying opportunities and challenges for MFIs' entry into Nepalese remittance market. Based on SWOC analysis results, feasibility of leveraging remittances among Nepalese microfinance sector has been assessed and strategies and implementation plan for leveraging remittance services among Nepalese microfinance sector was suggested.

4. RESULTS AND DISCUSSIONS

This section presents the results and discussions of this research. First situation on MFIs in Nepalese remittance market is documented followed by an assessment on opportunities and challenges for MFIs' entry in microfinance market. Further, feasibility of leveraging remittances among Nepalese MFIs is assessed along with suggestions of the strategies and implementation plan for leveraging remittance services among Nepalese microfinance sector.

4.1 Situation Analysis

Involvement of MFIs in remittance operation is the function of number of overseas migrant and remittance flow in the working area of the MFIs. In what follows, situation analysis has been done through an assessment of migration and remittance, MFIs in remittance market and policy environment.

4.1.1. Migration and Remittance

It has been often argued that the relationship between migration and remittances is positive and reinforcing. This implies that growth in number of migrants in a host country in period one lead to increase in remittances sent into home country in period two, ceteris paribus. Likewise, as the level of remittances received in home country increases in period two, the level of migration to host country increases in period three. These phenomena could be summarized in a nutshell as more migration, more remittances. There dynamic is not always true and relationship between migration and remittances is not always straightforward. A discussion on migration and remittance in Nepal follows hereunder.

Migration

National Migration Survey 2009 indicates that Nepal's economy is gradually entering into a vicious policy cycle of remittance. The report shows that symptoms of the Dutch disease characterized by erosion of external competitiveness, decline in manufacturing sector, higher disposable incomes and rising wage rates, appreciation of real exchange rate due to large amounts of foreign exchange inflow, shortage of labourers both in agriculture and manufacturing sectors, increased dependency on remittances and vulnerability in the country's external sector, have been the characteristics features of Nepalese economy.

The report uncovered significant positive impact of remittance at household level. Families receiving remittance are enjoying a comparatively better quality of life now than in the past. Migrant families are (i) slowly overcoming debt burden, (ii) able to construct relatively comfortable houses with good toilets, (iii) sending children to private schools if they are available nearby, and (iv) buying televisions and mobiles. New market centres are emerging in the periphery with new businesses such as public telephone booths, cyber cafes, beauty parlours, cosmetic shops, readymade garment outlets and stationery stores. There are cases of expanded employment opportunities in private schools and colleges and migration of families from rural areas to cities and new market centres. There are some negative dimensions of overseas migration as well. Apart from macroeconomic vulnerability, Nepal is paying heavy social costs for above mentioned social changes. These societies are characterized by absence of labour force in rural areas, loss of attraction in agricultural sector, tremendous rise in extramarital affairs in families who have members working abroad, kids becoming obstinate

and less enthusiastic in their studies, parents feeling helpless in their old age and communities facing hardships due to absence of youths, especially males. Against this backdrop, there is a need to calculate whether the cost or the benefit is higher and devise social, economic and diplomatic policies to reduce the cost and increase benefit.

The report shows that Nepal receives 48.9 percent of remittance from the Gulf, 19 percent from India and 10 percent from Malaysia. A Nepali worker in Gulf and Malaysia normally earns about Rs 15,000 monthly and they have their own expenditure priorities at home such as repaying loans, kids' education fees, financing social rituals such as marriages of family members and other family obligations. The report states that normally youths from the mid-west and far west go to India to work in low-paying jobs that barely provide them a hand-to-mouth existence. There is thus a need for the GON to negotiate with labour importing countries for implementation of the host countries' labour laws with national treatment to Nepali workers, ILO standards and for signing and implementing bilateral labour agreements.

Remittance Flow

In Nepal history of remittance started in 19th century when Nepalese were recruited as army in Indian and British force. People working in tea garden of Sikkim and Darjeeling used to send money through various medium. Because of open boarder, it is very difficult to analyze the money that come though informal channel from India. Remittance grew fast after the restoration of democracy. Although, Nepal Bank Ltd. established in 1937 but Nepal Rastra Bank started issuing license to remittance companies on March 22, 2002. Currently there are over 53 licensed remittance companies but out of 53 less than 10 are active in the market with over thousands sub-agent active in Nepalese remittance market. Importance of remittance flow for overall development of Nepal can't be underestimated in Nepal. Remittances are growing at a double-digit annual rate these days and constitute a relatively stable source of vital income and important form of economic activity in Nepal. It represents a source of funds that is being acclaimed as great new hope. Number of participants in remittance market (supply and demand) is extraordinary. Table 1 outlines information on trend on remittance flow in Nepal from India and other countries.

Table 2: Trend in Remittance Flow from India and Other Countries (2047/48 – 2066/67)

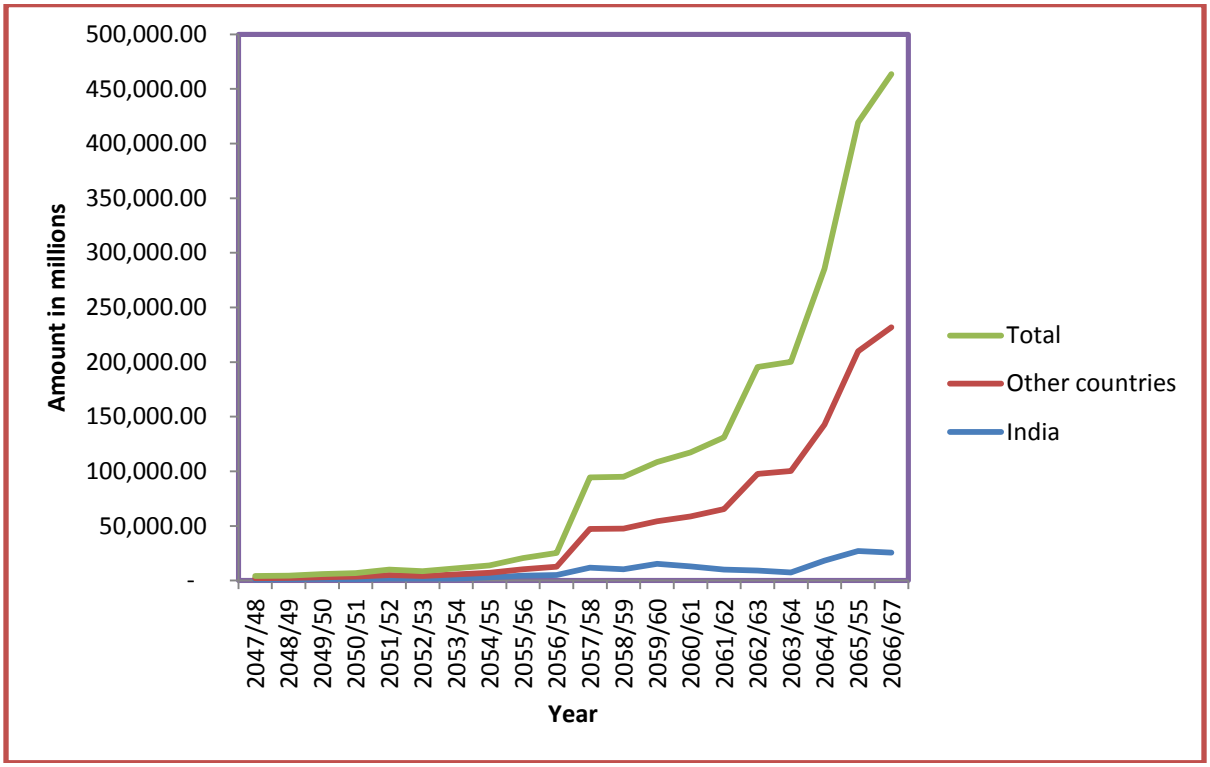
S. N.	Fiscal Year	India	Growth (%)	Other countries	Growth (%)	Total	Growth (%)
1	2047/48	96.87	-	115.96	-	212.83	-
2	2048/49	135.50	39.88	96.15	(17.08)	231.65	8.84
3	2049/50	158.53	17.00	140.90	46.54	299.43	29.26
4	2050/51	131.78	(16.87)	215.13	52.68	346.91	15.86
5	2051/52	177.91	35.01	328.45	52.68	506.36	45.96
6	2052/53	197.71	11.13	230.65	(29.78)	428.36	(15.40)
7	2053/54	182.83	(7.53)	376.67	63.31	559.50	30.61
8	2054/55	305.70	67.20	393.08	4.36	698.78	24.89
9	2055/56	446.99	46.22	584.47	48.69	1,031.46	47.61
10	2056/57	513.62	14.91	752.61	28.77	1,266.23	22.76
11	2057/58	1,179.57	129.66	3,542.04	370.63	4,721.61	272.89
12	2058/59	1,032.62	(12.46)	3,721.01	5.05	4,753.63	0.68

S. N.	Fiscal Year	India	Growth (%)	Other countries	Growth (%)	Total	Growth (%)
13	2059/60	1,545.80	49.70	3,874.53	4.13	5,420.33	14.03
14	2060/61	1,296.41	(16.13)	4,562.35	17.75	5,858.76	8.09
15	2061/62	1,018.13	(21.47)	5,535.99	21.34	6,554.12	11.87
16	2062/63	918.78	(9.76)	8,850.07	59.86	9,768.85	49.05
17	2063/64	740.27	(19.43)	9,274.21	4.79	10,014.48	2.51
18	2064/65	1,837.17	148.18	12,431.10	34.04	14,268.27	42.48
19	2065/55	2,700.00	46.97	18,269.80	46.97	20,969.80	46.97
20	2066/67	2,564.53	(5.02)	20,608.00	12.80	23,172.53	10.50

Source: Nepal Rastra Bank

Remittance comprises of both international and domestic payments. Remittance includes all types of customers, including individuals, businesses and governments. Remittance recipients use formal, highly regulated and informal unregulated channels. Because remittance represents private money sent person to person, they benefit low-income people directly and one demand. In general international money transfer companies (MTCs) are engaged in remittance operation. There is sizable volume of domestic remittance operation by banks and financial institutions using Any Bank Banking Services (ABBS). With the development of national electronic payment infrastructure, domestic remittances are growing rapidly in Nepal through ABBS offered mainly by commercial banks and few development banks. Nepalese remittances industry is highly dynamic and changing rapidly during these days.

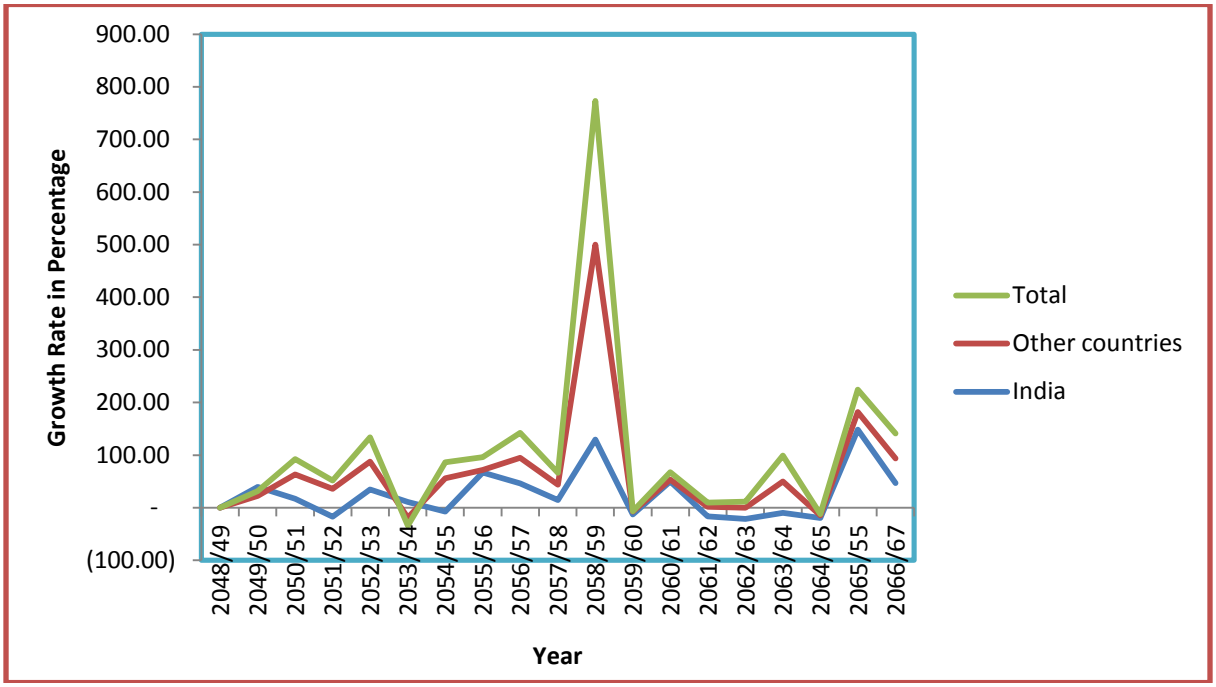
Figure 2: Trend on Remittance Flow from India and Other Countries



There are some changes on remittance flow over the last five years. First, there has been increased competition among formally licensed (commercial banks and wire based remittance

operation) remittance companies with the entry of new firms in international, regional and national markets. Second, there has been better use of existing payment instruments such as Core Banking System, card, phone and internet. Third, there are cases of lower fees for remittances as a result of increased competition, resulting small scale operation to be less profitable[8]. Forth, there are cases of tighter regulations from national and international authorities on anti-money laundering (AML) and combating financing of terrorism (CFT). This has been more so with the enactment of regulatory instruments to administer AML/CFT. Trend in remittance flow is increasing both from India and other countries with the growth more from other countries than from India.

Figure 3: Growth in Remittance from India and Other Countries (2048/49 - 2066/67)



Growth in remittance flow is fluctuating. Growth in remittance flow both from India and other countries is more in FY 2058/59. The growth reduced after that and again gaining momentum in 2065/66.

Contribution of Remittance

As discussed already, remittance has played an important role in Nepalese local economic development. Information collected in the Nepal Living Standard Survey (NLSS) III uncovered that there has been significant contribution of remittance for livelihood improvement at local level (Table 2). Remittance contributes about 19% in the GDP. Average remittance received by a family has been estimated at Rs. 80,400 per year. About 24% additional families have received remittance over the last nine years and annual remittance received has been estimated at over Rs. 259 billion.

[8] There are cases where international and national markets are also beginning to see price reductions, and this has implications for MFIs that seek to enter the market.

Table 3: Role of Remittance for Rural Livelihood Improvement in Nepal

Particular	**Status**	**Source of information**
Contribution in GDP	19%	NRB, 2010
Remittance receiving families	56% of total families (31,00,000)	NLSSIII
Average remittance per family	Rs. 80,400.00	NLSSIII
Remittance received in 9 years period	24% additional families	NLSSIII
Annual remittance received	Over Rs. 259 billion	NLSSIII
Contribution of remittance in poverty reduction	Estimated that poverty has been reduced to 25.2% (66,00,000 families with annual income less than Rs.19,200.00)	NLSSIII
Youth working abroad (number)	Over 3 million	NLSSIII
Use of remittance money	79% in daily consumption, 7% to pay loans, 4.5% for purchasing family assets and 2.4% for capital growth	NLSSIII
Loan borrowing	A total of 65% gone for foreign employment has borrowed loan. Of the 65%, a total of 51.1% have borrowed from relatives, 20% from banks, 15% from merchants and 14% from cooperative and other local institutions. Most of the loans have been borrowed without collateral.	NLSSIII
Other contribution of remittance	Generate employment, develop knowledge, skill and gained experience and some have initiated small enterprises near to urban areas.	NLSSIII

NLSS = Nepal Living Standards Survey

NLSS 2010/11 uncovered that there has been significant contribution of remittance in poverty reduction and it has been estimated that poverty has been reduced to 25.2% (6,600,000 families with annual income less than Rs.19200/-) between 2003/04 and 2010/11. Number of youth working abroad has been estimated to be over 3 million. NLSS has uncovered that majority of remittance income (79%) are used for daily consumption. This is followed by loan repayment (7%), purchasing of family assets (4.5%) and capital growth (2.4%). As far as financing for overseas migration is concerned, it has been found about 65% families going abroad has borrowed loan. Of the 65% borrowing migrant families, a total of 51.1% have borrowed from relatives, 20% from banks, 15% from merchants and 14% from cooperative and other local institutions. Most of the loans have been borrowed without collateral. This indicates financing overseas migration is issues to be worth considering in Nepal.

On average, households with a migrant in "other developed countries' receive highest amount of annual remittance (NRs 311,000 or US$ 4,050) followed by Gulf (NRs 163,000 or US$ 2,120), Malaysia (Rs. 113,000 or US$ 1,470) and India (Rs. 62,000 or US$ 800). Internal migrants send Rs. 75,000 home on average, which adds upto 2 percent of GDP. Other contribution of remittance has been evident in terms of generating employment, developing knowledge, skill and gained experience and some have initiated small enterprises near to urban areas.

4.1.2. Remittance Operation in Nepal

Remittance Market

Overseas migrants are highly broad based and they are spread in all the 75 districts of Nepal. In general institutions offering financial services to the poor have comparative advantages for their entry into remittance market as it offers them an opportunity to fulfil their financial

goals and social objectives. Due to wide spread market, MFIs are best suited to cater the financial services to the migrant families. As a fee based product, remittances enable MFIs to generate revenues while serving people below poverty line. Further, inclusion of remittance enables MFIs to deliver additional service to their clients at a cost lower than that of mainstream providers[9].

Most MFIs lack experience in payment systems and introduction of remittances represent considerable challenge in their operation and management. Owing to poorly developed information technology and management information system, remittance management poses considerable challenges to Nepalese MFIs. One to one consultation and consultative meeting conducted with leading MFIs revealed that they have experienced difficulties on fund management and lining the remittance on productive activities while their entry into the remittance market. There are cases where two MFIs that started remittance operation dropped the idea because it turn out to be unprofitable to them, experienced difficulties on fund management and lack required human capacity demanded by remittance business.

Business Models for Remittance Operation

There are two business models for remittance operation. These are direct model and partnership model. The formal model relates to offering direct remittance services using systems developed in-house that range from basic systems built around their core accounting package to more sophisticated systems based on specific electronic funds transfer systems. On the other hand, the later refers to offering remittance services in partnership with one or more remittance companies, such as Western Union or MoneyGram. The later model is quite common among Nepalese MFIs while the modality adopted by commercial banks is essentially the former one.

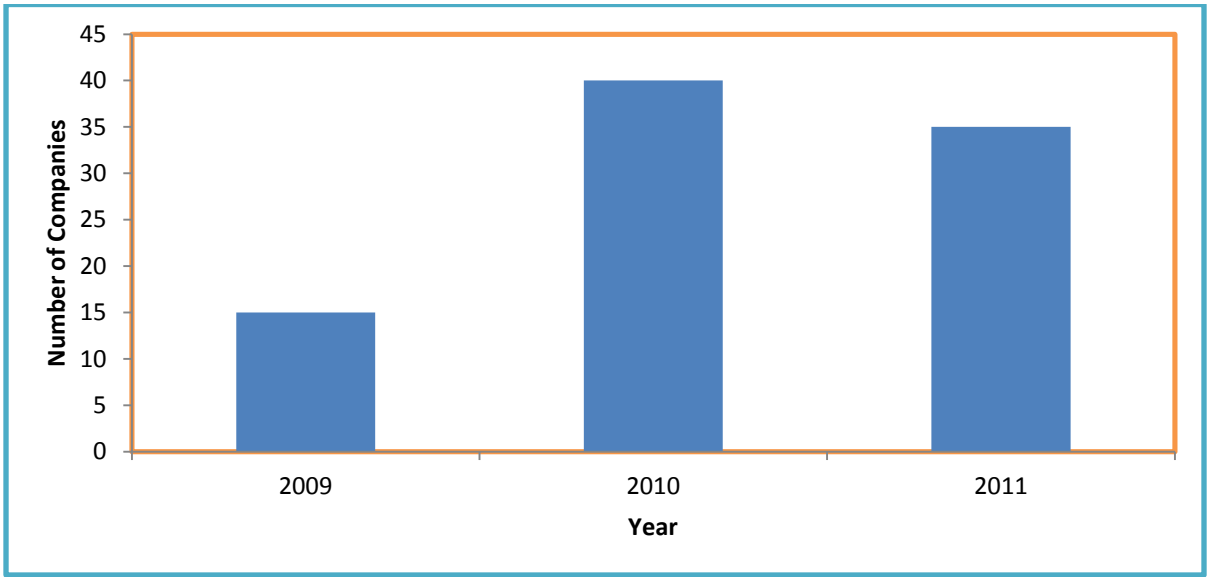
Partners for Remittance Operation

Both formal and informal remittance operation prevails in Nepal. Informal system like Hawala or Hundi is very common in remittance which have approximately 45% share in remittance operation (NLSS 2011). Many workers use Hundi or Hawala for remittance which is illegal and need to be controlled. However, in other hand Hawala has been an effective competitor of remittance business for long period. The formal remittance operation comprises of two types of partners namely remittance companies and bank partners.

There are over 50 wire-based remittance companies registered by NRB in Nepal. Wire-based remittance companies reporting in NRB is fluctuating between 2009 and 2011. Legally speaking all the commercial banks are the bank partners that can be part of remittance operation in Nepal. In general, all 31 commercial banks don't require additional license to implement remittance business.

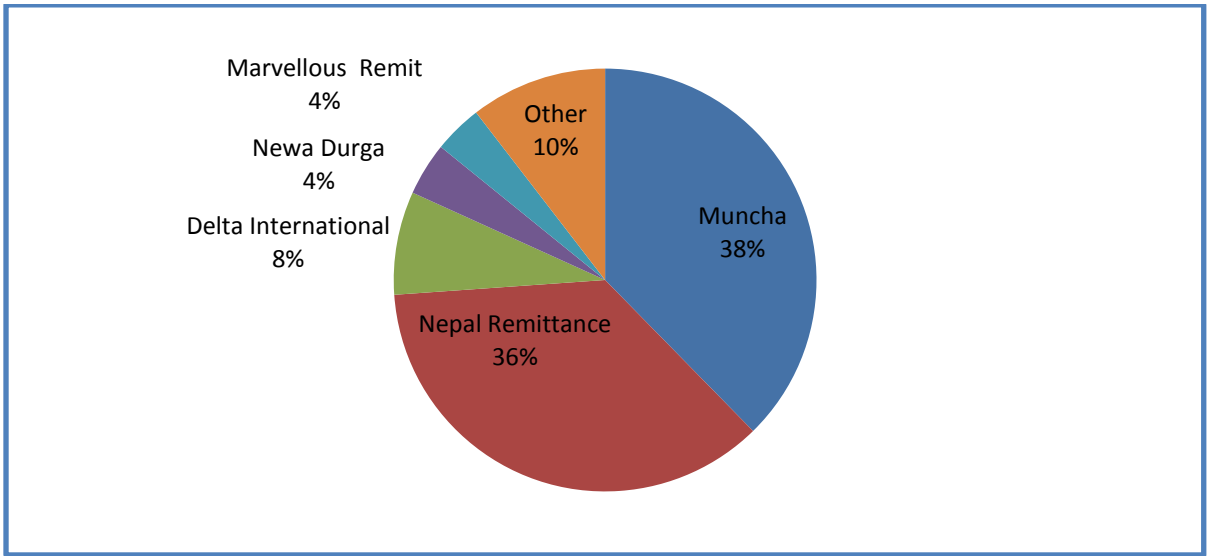
[9] Op cit, Isern, Deshpande and van Doorn (2005)

Figure 4: Companies Reporting Progress on Remittance Operation in Nepal Rastra Bank (2009-1011)



At present remittance services offered by commercial banks and international remittance companies such as Western Union and MoneyGram. These companies have national agents namely Nabil Bank, Hulas of Western Union and Himalayan Bank of MoneyGram. The national agents have distributed sub-agencies to MFIs, development banks, finance companies, cooperatives and private companies. Most common license holder remittance companies are International Money Express (P) Ltd., Prabhu Remittance (P) Ltd., City Express Remittance (P) Ltd., Samsara (P) Ltd, Manakamaka Development Bank Ltd, Sidhartha Development Bank Ltd etc.

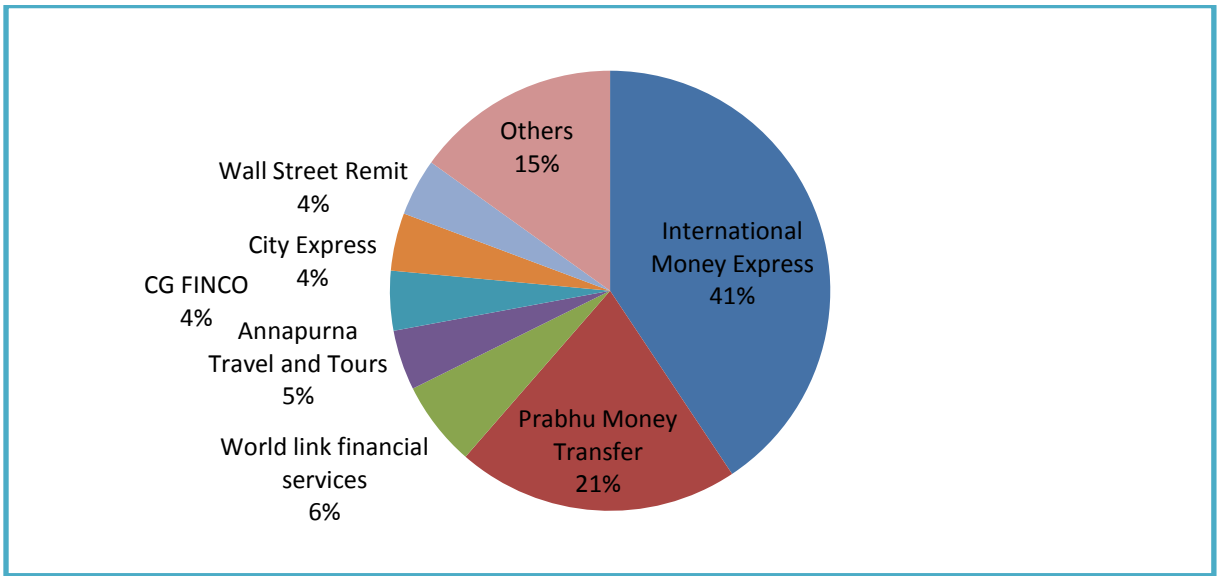
Figure 5: Market Share of Companies Reporting Progress on Remittance Operation in Nepal Rastra Bank in 2009



Domestic remittances are administered using their own software or using other's software and ABBS e.g. Chhimek Remit and Excellence Cooperative Service (ECS). MFIs, cooperatives and private organizations are working as sub-agents of remit agencies namely

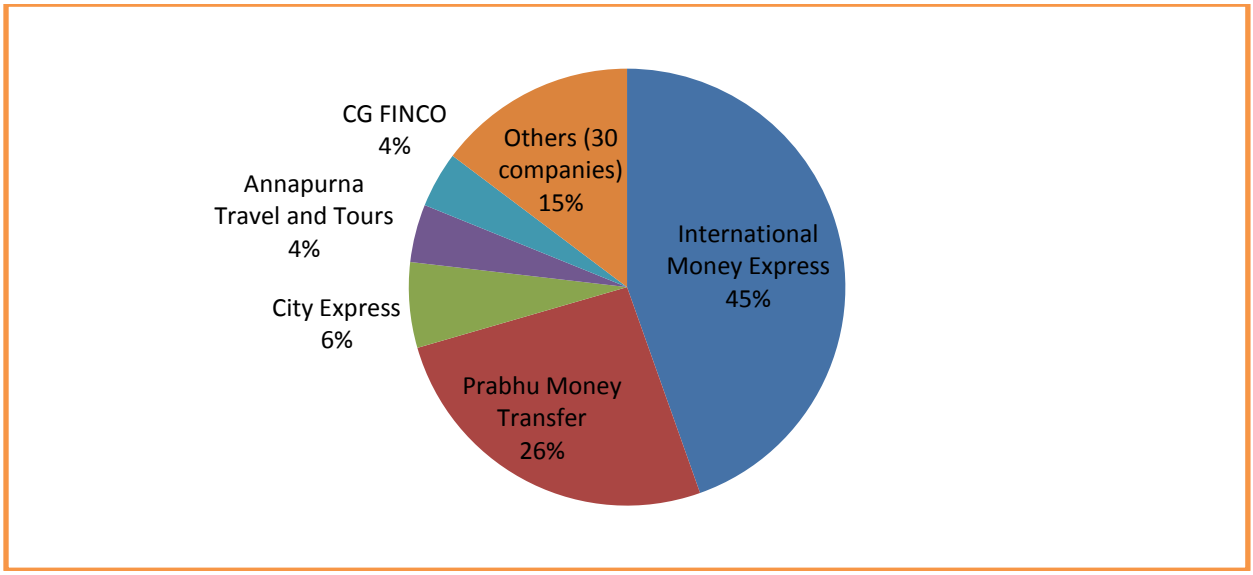
Nabil or Hulas Remittance (P) Ltd. or CG FINCO (P) Ltd. for operating western union remittance.

Figure 6: Market Share of Companies Reporting Progress on Remittance Operation in Nepal Rastra Bank in 2010



Nepalese MFIs has partnered with banks or other financial institutions to pursue remittance operation. These MFI act as a subagent to bank, who is the primary agent with an MTC or MFI have gained access to MTC. Among the remittance service providers, IME (41%) has a dominant share in remittance market, followed by Prabhu Money Transfer (21%) in 2010. Other money transfer companies are gradually acquiring their market share in remittance market. There has been slight change on composition in 2011 with International Money Express (45%) and Prabhu Money Transfer (26%).

Figure 7: Market Share of Companies Reporting Progress on Remittance Operation in Nepal Rastra Bank in 2011



There are three options that Nepalese remittance service provider (commercial banks and/or MTCs) have as far as sending and receiving transfers are concerned. First, cash-to-cash transfer wherein sender pays in cash at the originating outlet and the receiver is paid in cash at receiving outlet and is the most common form of money transmission. Second, cash-to-account transfer wherein company has partnerships with banks, MFIs and other types of agencies that allow sender to pay in cash and have funds deposited in recipient's bank account. Third, internet combinations wherein some companies have websites where customers can initiate a remittance, pay for transaction with a credit card and have the payout be received in cash at a receiving outlet.

4.1.3. Policy Environment

Remittance operation in Nepal is governed by Nepal Rastra Bank Act 2058, Foreign Exchange Act 2019, Bank and Financial Institution Act 2063 and related Directives issued by Foreign exchange management department.

In general, commercial banks don't require additional license for remittance business. As per remittance by-laws 2067, companies or any organizations should have at least Rs. 50 million and Rs. 10 million capitals to work as principal provider and become agents of principal provider respectively. License need to renew annually. License renewal fees vary depending on the software that it owns. For instance, license renewal fee is Rs. 5000.00 if it use own software and the fee is Rs. 2000.00 if agent uses the software of the principal. In addition to that, Rs. 10 million for principal and Rs. 1 million per agreement for principal's agent is necessary as guarantee for remittance operation. Bank guarantee can be used instead of depositing cash for this purpose. There is limited involvement of MFIs in remittance operation and both direct and indirect model of remittance operation prevails.

Limited involvement of MFIs in remittance operation is partly attributable to stringent policy environment, high initial cost required and relatively well developed information technology required to set-up insurance operation. Compared to savings mobilization and loan operation, remittance operation requires relatively high level of expertise from field staff. Further, risk and accountability is relatively high in case of remittance operation.

4.1.4. Microfinance Institutions in Remittance Operation

Involvement of Nepalese MFIs in remittance market is very much limited. Only three out of 21 licensed microfinance institutions are engaged in remittance operation albeit different success. There is only one out of 38 licensed FI-NGOs has been engaged in remittance operation.

Table 4: MFIs in Remittance Operation in Nepal

Types	Name
MDB	Chhemek, Nirdhan, SFDB
FI-NGOs	Jeevan Bikas Samaj,
SCCs	BISCOL, Chandragiri, Excellence Cooperatives Services,
	All cooperatives are entitled to obtain sub-agent of the MTCs

Source: Field Survey

Despite that all the SCCs are entitled to obtain sub-agent of the MTCs, only SCCs operating in urban centres are engaged in remittance operation and number of rural cooperatives engaged on remittance operation is very much limited. SCCs with dominant remittance operation include BISCOL, Chandragiri, and Excellence Cooperatives Services.

In-depth assessment on remittance operation was undertaken in this research covering operation of NUBL, CLBB and BISCOL. It appears that NUBL provides remittance services from over 60 branches, CLBB operates remittance through over 40 branches and that of BISCOL extend such services through five branches (Table 5).

Table 5: Overview of Remittance Operation by MFIs Surveyed in this Research

S.N.	Name of MFIs	Branches on remittance (No)	Name of partner MTCs	Main remittance services providing branches
1	CLBB	60	Western Union, IME, Prabhu Money Transfer, Himal Remit, Samsara	Damauli, Gorkha, Simara, Bharatpur, Tandi, Hetauda, Chandranigapur
2	NUBL	40	Western Union, IME, Prabhu Money Transfer, Himal Remit, Samsara	Bhairahawa, Bharatpur, Tandi, Palpa, Butwal, Jitpur
3	BISCOL	5	Western Union, IME, City Express, Sewa Money, Laxmi Remit, Delta Money, Mero Remit and Three Star	Dhunkharka, Khopasi, Panauti, Banepa, Panchkhal

Source: Institutional Survey, October 2011

Remittance policy of these MFIs encompasses three dimensions: loan for overseas employment, relationship between remittance services and foreign employment and remittance and savings mobilization. Operation of all three MFIs analyzed in this research reveals that they lack explicit policy to extend access to micro-credit for overseas migrants, but there are significant number of cases where loan extended by these MFIs to their clients have been used to finance the overseas employment related investment and cost of their spouse. Owing to lack of explicit policy for extending access to microcredit to their clients for overseas migration, relationship between remittance services, foreign employment and microfinance operation is almost non-existent. In general, remittance is operated in isolation as a stand-alone initiative of these MFIs. Despite that these MFIs, especially BISCOL has experienced that their savings mobilization increases as remittance flow increases, they have yet to devise policy to strengthen correlation between remittance and savings mobilization.

In general, MFI receive sub-agent license from MTCs both domestic and international and undertake remittance services and in lieu of the services, they receive commission. Commission in case of Nepalese Remittance Company is Rs. 75/- per transaction (irrespective of volume of transaction) inclusive of applicable taxes. After deducting tax, they receive commission of Rs. 62/- per transaction. In contrast, commission provided by international MTCs such as Western Union money transfer agent ranging from Rs.200/- to 300/- depending upon volume of transaction and country from which money has been remitted. The commission has been considered to be relatively low unless they achieve scale economy on operation. Thus, limited participation of Nepalese MFIs on remittance operation is partly attributable to high operation costs, low commission, less incentive packages and high cost involved for setting-up the infrastructures for remittance operation.

4.1.5. Status of Migrants and Their Families

Three categories of people were contacted during FGD conducted in this research. These peoples were (a) family with member preparing for overseas migration, (ii) family with member returned overseas employment and (iii) family with member currently under overseas employment and receiving remittance from migrant family. They have different perceptions and expectations.

Demographic profile:
Average age of the migrants ranged between 21 and 39 years and that of clients of MFI receiving remittance ranges between 30 and 44 years with an average of 38 years. Those preparing for overseas migration are relatively younger with an average age of 24 years and that of returnee are relatively older with an average age of 35 years.

Table 6: Socio-economic Profile of the Respondents Participating in FGD Conducted in this Research

S.N.	Particulars	Unit	Categories of respondents		
			Preparing for migration	Returnee	Remittance receiving MFI's clients
1	Sample size	No	10	10	18
2	Age	Year	23.9	35.3	37.8
3	Education	Years of schooling	11.3	11.5	5.3
4	Family size	No	4.8	5.1	5.3

Source: Field Survey, October 2011

Migrants have relatively higher level of education and most of them were SLC graduate with a family size of 5, almost same as national average family size.

Foreign Employment Related Information
People contacted during the FGD were or are planning to work in six countries namely Korea, Qatar, Saudi Arabia, Malaysia, Dubai and Japan. It seems that majority of them are interested and/or are working Qatar followed by Malaysia.

Table 7: Country of Work of Respondents Participating in FGD Conducted in this Research

S.N.	Countries	Unit	Categories of respondents		
			Preparing for migration	Returnee	Remittance receiving MFI's clients family member
1	Korea	No	2	0	0
2	Qatar	No	3	4	8
3	Saudi Arabia	No	3	0	0
4	Malaysia	No	2	3	8
5	Dubai	No	0	3	1
6	Japan	No	0	0	1
	Total	No	10	10	18

Source: Field Survey, October 2011

During FGD, those returnee and remittance receiving MFI's client's family member were inquired on nature and type of work performed by them during the overseas migration. It

revealed that the type of works done by them is related to construction, factory, supermarket, carpentry, packaging work and salesman. FGD revealed that most of them are employed in factory and super-market. Other means of employment such as construction, carpentry, packaging work and salesman is also equally common.

Table 8: Type of Work done by Respondents Participating in FGD Conducted in this Research

S.N.	Type of work	Unit	Categories of respondents	
			Returnee	Remittance Receiving MFI's client's family member
1	Construction	No	3	0
2	Factory	No	4	7
3	Super market	No	3	5
4	Carpentry	No	0	2
5	Packing work	No	0	1
6	Salesman	No	0	3
	Total	No	10	18

Source: Field Survey, October 2011

Majority of the respondents have borrowed from informal sources to finance their cost for overseas migration. Due to lack of policy of the MFIs to finance overseas migration, even family members of MFI's clients have borrowed from informal sources or diverted borrowing from MFI to finance overseas migration of their family members.

Table 9: Financing for Overseas Migration of the Respondents Participating in FGD Conducted in this Research

S.N.	Particulars	Unit	Categories of respondents		
			Preparing for migration	Returnee	Remittance receiving MFI's clients
1	Average cost	Rs. '000	101.5	75.5	146.4
2	Interest rate	%	36.0	48.0	36.0
3	Duration	Years	3.0	3.0	2.0

Source: Field Survey, October 2011

Average cost for overseas employment was estimated to range between Rs. 75.5 thousand and Rs. 146.4 thousands. Cost for overseas migration is high in case of migration to highly developed countries like Japan and quite moderate in countries like Malaysia and Qatar. Average interest rate of borrowing for overseas migration ranged between 36% and 48% and it is evident that informal interest rate go on decreasing over time with the access to credit to migrant families from diverse sources. In general, migrants have borrowed for a period of 2-3 years and there are instances where they have repaid the loan within the given time. Informal sources like friends and relatives constitute their main sources of borrowing for financing the overseas employment.

Average gross income of the overseas migrants participating in the FGD conducted in this research ranged between Rs. 31.9 thousands and Rs. 37.6 thousands and that of monthly gross cost of living ranged between Rs. 10.2 thousands and Rs. 14.5 thousands. Net monthly savings was estimated to range between Rs. 17.4 thousands and Rs. 27.4 thousands.

Table 10: Average Income and Expenses of Overseas Migrants Participating in FGD Conducted in this Research

S.N.	Particulars	Unit	Categories of respondents		
			Preparing for migration	Returnee	Remittance receiving MFI's clients
1	Monthly gross income	Rs. '000	37.6	32.9	31.9
2	Monthly gross cost of living	Rs. '000	10.2	12.0	14.5
3	Net income	Rs. '000	27.4	20.9	17.4

Source: Field Survey, October 2011

Most of people interacted during FGD mentioned the use of formal channels from sending money back home. It has been found that they use the services of remittance companies such as IME, Western Union, Himal Remit, Laxmi Remit, etc. for this purpose. Average time spent for receiving the money remitted was estimated to range between 2 and 7 days with an average of 3 days.

Inquiry with people preparing for migration revealed their willingness to pay fee for the reliable and quality services received from authorized services providers, they have a plan to use formal channels for sending money back home, are frequently referring the use of transfer channels and quite aware of the transfer system.

Use of Remittance

FGD conducted in this research revealed that migrant use the remitted amount for diverse purposes including loan repayment, education, health care, physical asset creation, land, building and other assets, consumption, festivals, rituals and ceremonies, livestock and others. About 50% of the remittance sent by migrants has been used for repayment of loan borrowed at the time of migration.

Table 11: Use of Remittance by the Participants of FGD Conducted in this Research

S.N.	Purpose of remittance use	Unit	Categories of respondents		
			Returnee	Remittance receiving MFI's clients	Total
1	Loan repayment	%	41.6	48.7	45.8
2	Education	%	2.0	5.0	3.8
3	Health	%	1.9	3.8	3.1
4	Physical asset creation	%	5.1	7.0	6.2
5	Land, buildings and other assets	%	3.3	9.0	6.7
6	Consumption	%	23.7	15.7	19.0
7	Festivals	%	2.7	1.0	1.7
8	Rituals and ceremonies	%	1.5	2.5	2.1
9	Livestock	%	2.8	1.7	2.2
10	Other	%	15.3	5.5	9.5
	Total	%	100.0	100.0	100.0

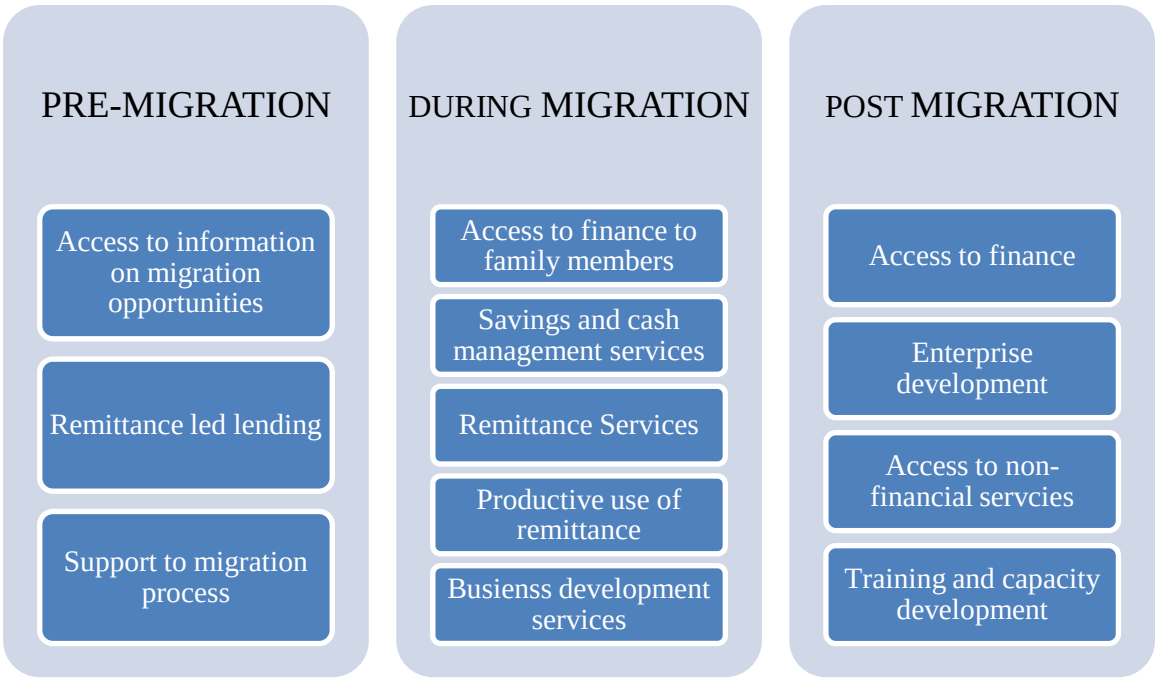
Source: Field Survey, October 2011

Above information indicates that about 69.5 percent is used for consumption and only 30.5 percent of the remittance is used for productive purpose. This indicates that there is a need to mainstream remittance operation on productive purposes. Further, over 45% of remittance income has been used for the repayment of the loan borrowed for financing migration. This is partly due to exorbitantly high interest rate that migrants need to pay for borrowing from expensive informal sources.

4.1.6. Expectation of the Migrants

Migrants have high expectation from government and other agencies which are related to different stages of migration such as pre-migration, during migration and post migration. Expectations of the migrants at different stages of migration are depicted in figure 8.

Figure 8: Expectations of the Migrants



Contrary to the conventional notion that migrants require support during migration, FGD conducted in this research revealed that migrants expect external assistance during entire migration cycle. Further it is evident that they require both financial and non-finance services from government and non-government organizations.

Expectation during Pre-migration Phase

Migrants expectations during the pre-migration phase is related to access to information on migration opportunities, remittance led lending and support to migration process. In general, they accord high priority to the information on migration opportunities such as identifying an employer, job opportunities, reputable migration agents and remittance options; awareness on their rights and avenues for seeking assistance, obtaining visas and completing other required documentation such as passport and travel from the reliable sources is the main support that migrants expect from government and/or remittance services providers. They also expect remittance linked lending to migrant families from the banks and financial services at this stage which could be linked to remittance being send by the migrant. On the absence of

remittance linked lending services, most migrants are relying either on their own savings or selling of their productive assets such as land, building or animals, or borrowing from costly informal sources. Migrants also expect some support during migration process. Some support on language awareness, tickets, pre-departure formalities, immigration, post departure cautions, initial adjustment in the country of migration, etc. are some of the supports that migrants expects for the migration process from migration related services providers.

Table 12: Expectations of Migrants Participating in the FGD Conducted in this Research

S.N.	Particulars	Unit	Categories of respondents			Total
			Preparing for migration	Returnee	Remittance receiving MFI's clients	
1	Pre-migration					
	Access to information on migration opportunities	%	100.0	77.8	100.0	89.5
	Remittance linked lending	%	90.0	61.1	60.0	68.4
	Support to migration process	%	80.0	50.0	40.0	55.3
2	During Migration					
	Access to finance to family members	%	80.0	100.0	70.0	86.8
	Savings and cash management services	%	70.0	77.8	80.0	76.3
	Remittance services	%	100.0	100.0	100.0	100.0
	Productive use of remittance	%	50.0	66.7	40.0	55.3
	Business development services	%	40.0	55.6	20.0	42.1
3	Post Migration					
	Access to finance	%	40.0	50.0	50.0	47.4
	Enterprise development	%	60.0	66.7	30.0	55.3
	Access to non-financial services	%	80.0	61.1	70.0	68.4
	Training and capacity development	%	70.0	44.4	80.0	60.5

Source: Field Survey, October 2011

Expectation during Migration

Besides remittance services, migrants are expecting other services such as access to finance to their family members, savings and cash management services, technical advice for productive use of remittance and business development services during their stay abroad. During their stay abroad, most of them expect that their economically active family members be engaged in income generating / micro-enterprise (IG/ME) activities for income and employment generation. They have strong believes that their family members require access to finance for starting IG/ME activities. All of them expect that banks and financial institution provide remittance services to their families at the door-step and/or shortest walking with minimum or low transaction cost. Along with remittance services, they expect savings and cash management services from the banks and financial institutions. Ensuring productive use of remittance is the matter of great concern among the migrants and all of them look forward ways to ensure that the remittance that they send are used properly and productively. They are quite concerned towards the fact that they are unable to ensure productive use of their remittance. Most of them are unable to use the resource on productive activities due to lack of confidence and skills/competency required for business management.

Most of them expressed their firm believe that access to business development services will enable them to use remittance on productive activities or enable them to generate the productive asset base.

Expectation during Post-migration Phase

Returnee migrants were found quite concern regarding their future. Most of them are not willing to go back for overseas migration again. In order to uplift their quality of life, migrants are expecting support in aspects related to access to finance, enterprise development, access to non-financial services and training/capacity development. Migrants are of the opinion that their surplus remittance is insufficient for meeting the financial need of the enterprise that want to establish and they need access to non-financial services such as marking, technology, skill, raw materials supply and business consultancy. Their major thrust lies at investing remittances in promoting IG/ME activities and for this they expect improvement on (i) physical infrastructure, particularly transport, power and telecommunications infrastructure; (ii) local markets and access to urban and export markets; (iii) connections between entrepreneurs and suppliers; (iv) skill development and (v) business information and support services. They expect that government and nongovernment sector to come forward with policy environment for business development for returnee migrants.

4.2 Strengths, Weakness, Opportunities and Challenges Analysis

Close scrutiny of the internal and external environment related to involvement of MFIs in remittance operation revealed that there are strengths, weaknesses, opportunities and challenges (SWOC) on this operation. Findings of SWOC analysis are summarized below.

4.2.1. Strengths

High geographical penetration and intensive client coverage is the main strengths that MFI will have on remittance operation. In general, MFIs serve to trustworthy clients and they are highly confident. Due to proximity and access to other financial services there is possibility to ensure access to other financial services. MFI are best suited to link remittances on savings services. Further, MFIs have prospects for ensuring proper use of remittance fund for enterprise development.

4.2.2. Weaknesses

There are some weaknesses to remittance operation. These weaknesses are attributable to inability to (i) extend access to micro-credit for overseas employment, (ii) establish relationship between remittance services and foreign employment and (iii) remittance and savings mobilization. Other weaknesses include inability to ensure economy of operation and design the operate based on business plan with stringent targets, lack of access to full-fledge services (deposit, lending and remittance) directly from MFI, not as a payment agent, absence of backward and forward linkages with foreign employment and remittance management, less investment for client education and awareness and lack of system to prepare separate progress report on remittance operation. Other weaknesses includes lack transparent and fair commission based on cost of service delivery, inability to timely reimburse payment amount on remittance and lack of simple and transparent process for issuing sub-agency partnership.

Despite that MFIs already have enough products and services to justify viability of their operation, most have not participated in remittance operation due to their inadequate sensitization of microfinance service providers towards leveraging remittance services in their overall operation. MFIs have yet to realize remittance services as one of the viable product for their operation and management. Further, they have difficulties to obtain permission for remittance operation and there is unhealthy competition among remittance service providers - with eventual effect to MFI.

There is a capacity constrained among MFIs attributable due to high technology (computerization, software, agent network), management complexities (fund, operation and human resources), liquidity management, limited working areas, geographical remoteness, ensuring fund security, inability to ensure high staff efforts and lack of client deposit accounts, need to issue check for payment. These MFIs are characterized by lack of full-fledged services - client ownership on financial services providers, cash based operation and client friendly delivery mechanism. Further, MFIs' involvement was constrained due to small and low number of transaction and high competition among remittance service providers.

4.2.3. Opportunities

Opportunities that entry into remittance market represents for pro-poor MFIs are numerous. Remittance represents a perceived and a real need of most of the clients targeted by MFIs. It has been found that over 60% of the families of microfinance clients are overseas migrants and demand remittance services. MFIs can provide time and cost effective services to their clients. There is a direct relationship between remittances and poverty reduction. NLLS 2010/11 uncovered that there has been significant contribution of remittance in poverty reduction and it has been estimated that poverty has been reduced to 25.2% (6,600,000 families with annual income less than Rs.19200/-) between 2003/04 and 2010/11. With the offering of the remittance operation MFIs can attract new clients and cross sale other microfinance products such as savings, loans and insurance to them. Availability of other financial services in the door step could be an incentive for MFIs to offer remittance services.

Offering remittance services offers MFI a competitive edge in their marketplace. If an MFI can respond to multiple financial needs of their clients, they are more likely to succeed. More and more MFIs are interested in offering a full range of financial services that might include credit, savings, remittance, micro-insurance, etc. By offering a range of different services, MFI is more likely to increase loyalty among existing clients and attract new clients. Remittance offers a new revenue stream to MFIs. Delay in the entry of MFI into the remittance market can be costly because remittances are so important and migration is not likely to decline in the coming years. It is more likely that remittances will continue to grow and will do so rapidly. With the growth of remittance at a double-digit annual rate, it is more likely that more MFIs will turn to the remittance market in the years to come.

MFIs will have opportunities for savings mobilization as there is potential for remittance clients to increase savings volume of MFIs accepting savings. MFI then can re-lend to expand its microfinance operation. Further, MFIs can design a number of specialized savings products linked to remittances in addition to direct deposit of remittance.

Given the reality that a total of 65% overseas migrant finance their pre-migration expenses through borrowing and only 20% are borrowed from banks and 14% from cooperative and

other local institutions, and rest from informal source indicates the existence of enormous opportunities for the MFIs to promote remittance linked lending services.

4.2.4. Challenges

FGD conducted at several places revealed that microfinance clients expect simple, quick and easy access of remittance fund, prefer cash based operation, expect privacy on transactions and deposit services, prefer operational simplicity in terms of process, identification, language, etc., security, proper customer handling, including trust and confidence and one window system of operation. Thus despite numerous and extremely enticing opportunities for MFIs to enter into remittance market, there are several challenges for their entry into the remittance market. Challenges of critical to MFIs' entry into remittance market are related to compliance with regulatory and licensing environment, readiness and institutional capacity, identification and penetration in an appropriate niche market, high entry cost, partnership identification and agreement and lack of measures to combat with AML/CFT.

Compliance with regulatory and licensing environment: There are several hurdles for the entry of MFIs into the remittance market. Capital requirements and other legal and regulatory compliance have deterred most MFIs on obtaining license for remittance operation. Further, in order to enable MFI to undertake remittance operation, there is a need to provide relaxation on policy for issuing permission for taking public deposit.

Readiness and institutional capacity: Most Nepalese MFIs lack MIS and other infrastructure required for remittance operation. They are not yet ready for remittance operation due to lack of required institutional capacity.

Identification and penetration of an appropriate market niche: Most of the MFIs operate under area based approach, they have little flexibility to identify and penetrate the appropriate market niche. They can simply add-on microfinance services related to remittance operation.

High entry cost: There are significant preparatory costs on remittance operation ranging from cash management to safety measures to MIS. Even the operation of domestic remittance services requires specially designed web-based software. Thus, entry cost for remittance operation is very high that deter MFIs to enter into the remittance operation.

Partnership identification and agreement: Most MFIs lack capacity to identify the potential partners and they have difficulties to go for partnership agreement. Complicated set-up of the MTCs even for obtaining sub-agent license has made the entire process complicated.

Lack of measures to combat with AML/CFT: Most MFIs lack measures to certify whether they can ensure that they are consistent to the AML/CFT. This requires them to develop capacity to undertake due diagnosis of the sources of remittance money and tracking of their proper use.

While opting to engage in remittance operation, MFIs are exposed to challenges related to money management for timely payment to the clients, information management for accessing information from agent, and meeting the client service due to their high expectation on qualify services. Most MFIs do not have choices on choosing payment medium. They need to go for cash based operation and there are un-certainty related to time when cash used for

remittance will be reimbursed. Further, many MFIs lack ability to meet the compliance requirements. Experiences of MFI remittance service providers reveal that remittance does not contribute on their revenue structure and revenue generation. Most have taken remittance as a social service rather than a business. They are quite cognizant that for sustainable remittance operation, they need to their cost through operational income. Most MFIs has felt that they can't operate this at a sustainable level unless they attain certain level of scale economy. In order to attain scale economy, MFIs need to expend their services beyond their branch operation where managing human resources is serious challenges.

4.3 Leverage Analysis

Appropriate, accessible and affordable financial services have a key role to play in assisting migrant families to manage their money and build financial assets. It has been found that interests of low income migrant families are best served by policies aimed at reducing costs of migrating and remitting by promoting financial literacy, access to financial services and protecting the welfare of migrants abroad and their families at home. On the other hand, in order to serve the interest of the MFIs for their entry into the remittance market, there is a need to build their capacity to meet the interest of the low income migrant families (Judith Shaw and Robyn Eversole 2007).

Close serenity of FGD and one-to-one consultation conducted in this research revealed that remittance services can be successfully be leveraged into microfinance sector and this requires to address the expectations of the migrants and their families. Among the expectations of migrant families, MFIs can play a critical role to leverage remittance by extending remittance led lending, enhancing access to finance to migrant's family members, providing savings and cash management services, access to non-financial services and support to enterprise development. A discussion on leveraging remittance services into microfinance sector follows hereunder.

4.3.1. Integrating Remittance Services

In cognizant to the fact that there is a need to provide effective remittance services that is cost and time effective, MFIs should be encouraged to extend remittance services to migrant families. For this to happen, MFIs requires services to provide business plan for remittance operation and manage start up cost to set-up infrastructure required for integrating remittance into their operational system. In view that access to remittance products is weakest in rural areas, especially so in inaccessible remote areas and in the context that cost of travel to the nearest transfer agency is often quite significant in terms of time and fares, and must be factored into overall transfer costs to the rural clients, MFIs have comparative advantages to extend the remittance services to the migrant families in their working areas. Inquiry with CEO and BOD of the leading MFIs revealed that they are not seeing attractive business opportunities on integrating remittance services in their operation due to inherent problems such as management of liquidity, cash flow, technology, start-up cost, investment on staff capacity development, etc. There is a need of an external support to enable MFI develop capacity for integrating remittance services into their operational management.

4.3.2. Remittance Linked Lending

MFIs need to explore the possibilities of extending can provide remittance linked lending to migrant families. This requires MFI to develop new product and implementation of such services will be mutually beneficial for all concerned. Introduction of remittance linked lending by MFI refers to providing financial services to the potential migrant families to meet cost related to accessing migration opportunities such as identifying an employer, obtaining visas and other required documentation and travel cost. As such, banks and financial institutions have yet to design the financial product and services that meet those types of financial needs of the migrating families. On the absence of such lending services, households are resorting on their own savings or borrow from costly informal sources or sale productive assets etc. Remittance linked lending can often termed as "pre-departure loan products" which could be a market opportunity for MFIs and such a product could potentially open migration option to poorer households that cannot currently access affordable migration finance through their current networks or lack savings balance or productive asset to sale.

There are several opportunities that remittance linked lending offers to MFI. In the same way that a salary can be used to guarantee a bank loan, regular remittance receipts can be used to guarantee loans for consumption, housing, special events, travel, emergencies, or other purposes, including generic credit lines. Such loans and credit lines can offer households more money management flexibility. In addition, remittance receipts can be used to guarantee loans with a specific focus on lending for productive uses.

4.3.3. Access to finance to Migrant's Family Members

Migrant expect that their economically active family members remain busy on income and self-employment generating activities while they were working outside. They perceive that MFI can support their family members develop micro enterprises through entrepreneurship development to create employment and income generating opportunities to reduce poverty by extending access to finance and enable them to fulfil the credit capital needs of their enterprises. In addition, MFIs can also integrate migrant's family members on saving mobilization and building social capital for income generation. Such an effort of MFI to bring migrant's family members under their ambient will be instrumental to ensure productive use of the remittance as they will be exposed to business environment and increase confidence on money management.

4.3.4. Savings and Cash Management Services

Unskilled and semi-skilled migrants are mainly from poor and disadvantaged groups who are either un-banked or under-banked and in most cases they have minimum sense of possessing savings accounts. There is a need to provide effective savings and cash management services for these families in order to ensure proper use of the remittance received they have received. There is tremendous business opportunities for MFIs to provide effective savings and cash management services to the migrant families for proper use of income received. It has been found that remittance transfer method affects the propensity to save of migrant families. There are instance where migrants collecting remittance from MTCs' point of sale at urban centres due to lack of connectivity between transfer and savings facilities has spend it en-route for diverse conspicuous consumptions. This has reduced their propensity to save as most households on the absence of savings accounts in the financial institution offering

remittance services. There are instance where poor households rely heavily on remittances for day to day consumption and they require services which assist them to manage their money effectively. It has been found that remittance savings has been beneficial both to households and financial institutions. MFIs' provision of savings and cash management services will increase propensity to save of migrant families and create environment for future investment.

4.3.5. Support to Entrepreneurship Development

It is often cited that investing remittances in promoting IG/ME activity is one of the powerful way to leveraging remittances' development impacts. But this is not straight forward. There are constrained to enterprise development in rural areas in aspects such as state of physical infrastructure, particularly transport, power and telecommunications infrastructure; local markets and access to urban and export markets; connections between entrepreneurs and suppliers; inadequate financial intermediation, inappropriately designed financial products; land tenure and titling issues; pressure on natural resources such as land, forests; skills deficiencies; and access to business information and support services for existing and prospective micro entrepreneurs. In order to effectively leverage remittances for business investment requires an integrated policy response that aims to promote local business development particularly in rural areas through sound macroeconomic policies, improved local infrastructure, access to responsive finance and business development services.

4.3.6. Access to Non Financial Support Services

Migrant support policy is not very well developed and institutionalized in Nepal. There is a need to link migrants and their families with non-financial support services such as (i) access to migration opportunities, (ii) protection and support to overseas workers, and (iii) ensuring family welfare and well-being at home of migrant workers. Further, there is a need to have a proactive policy stance toward key migration policy issues in order to lower transaction costs, personal costs and risks for overseas workers and their families. In these entire process, MFIs have potentials to provide support and advocacy services to assist migrant families in their dealings with state authorities and migration agents in addition to providing information on job opportunities, reputable migration agents and remittance options; informing migrants about their rights and avenues for seeking assistance; providing financial literacy training and financial planning assistance; and channelling family welfare support to areas of need.

4.3.7. Productive Use of Remittance

Migrants' families' use of remittance income on IG/MEA is not straightforward. In order to encourage client to use the remit income in initiate IG/ME activities and to invest remit income for creating productive asset base, MFIs should design suitable loan products to link remit income for income generation and repayment process. Field study findings revealed that enabling migrants' families to use remittance services requires package of services encompassing technology, skills, raw materials (input) management, market linkages and networking, business plan preparation and business consultancy services. An enterprise development program specially designed for migrant's families are required to create enabling environment to ensure the use of remittance on productive purposes.

4.4 Way Forward

4.4.1. Strategies

Unless MFIs develop strategy for launching remittances services to their clients, it is less likely that MFIs will leverage with the remittance services. Such strategies should be aligned with their scale and requires a comprehensive planning initiative involving significant managerial and financial resources. Nepalese MFIs anticipate healthy financial returns along with strong benefits for low-income clients through financial services. Their goals towards leveraging remittance include revenue generation and/or or using remittances to increase their customer base.

MFI's strategy should aim to achieve a competitive advantage on remittance operation. Determining competitive advantage by the MFIs encompasses activities such as (i) providing a unique service not yet available in the market (differentiation strategy), (ii) leveraging the ways of obtaining a cost advantage (cost leadership strategy) and (iii) targeting in the specific market segment of clients (focus strategy). In order to determine the competitive advantages, MFI need to find out solutions that combines differentiation, cost leadership and focus strategies. In other-words, MFIs must target to obtain the advantage of offering differentiated product that has cost advantage in a more defined market in a focused way. It should implement the right product into the right market.

In an attempt to implement remittance product within the framework of right product and right market, MFI need choose one out of the four strategic options as depicted in Table 4.

Table 13: Strategic Options for MFIs in Remittance Operation

		Product	
		Existing	New
Market	Existing	Market penetration Strategy	Product Development Strategy
	New	Market development Strategy	Product Diversification strategy

Overall, MFI must have a clear idea about what it expects to gain from remittances and undertake an honest assessment of the risks inherent to different strategic options.

An MFI's motives to enter in remittance market determine its operational strategy. Is it increased profits, advancing its core mission, providing a one-stop shop service to retain clients or attracting new clients for other financial services? Several MFIs have entered into remittances with the expectation that it would be a major source of fee income only to learn that fees and commissions often just cover the cost of the service. In many cases, the real net benefit to MFI is in the acquisition of additional clients and in deepening relationships with existing clients. Motivation affects whether an MFI offers domestic or international transfers, choice of an international partner, clients to target and products.

4.4.2. Implementation Plan

Given the complexity of launching remittances, developing an implementation plan is critical to an MFI's success. An implementation plan includes detailed actions for each market segment, product and delivery channel, and a system for monitoring implementation. The pro-forma implementation plan for leveraging remittance product should encompassed activities outlined in Table 5.

Table 14: Implementation Plan for Leveraging Remittance among MFIs

S.N.	Activities	Timeline
1	Policy support	
2	Sensitization of MFIs – Campaign	6 months
3	Developing remittance product for MFIs	6-12 months
	Product development – market penetration	
	Managing product portfolio – training	
	Understanding client preferences – complete packaging of services	
	Reviewing institutional capacity – liquidity management	
	Product pricing	
4	Marketing remittance product for MFIs	13-18 months
	Achieving scale economy	
	Service delivery modalities – partnership model	
5	Creating institutional framework	19-24 months
	Developing remittance policy	
	Establishing delivery channels	
	Technology	
	Social mission	
	Profitability	
6	Ensuring that remittance are used on productive purpose	Ongoing after 18 months

A discussion on each of these activities follows hereunder.

Policy Support
Existing policy has put private remittance agents and licensed financial institutions under single footing. There should be differentiation process for granting license for remittance activity between private remittance agents and financial institutions. Licensed financial institutions are public limited and are under close monitoring of NRB while such type of monitoring from regulator does not exist for the private remittance operators. Necessary advocacy may be necessary to re-visit existing policy to leverage remittance within MFIs.

Sensitization of MFIs
Board, management and field staff of the MFIs need to be sensitized on different aspects of leveraging remittance on their microfinance operation. They must feel the importance of

leveraging remittance services in their viability and sustainability. Further, they must have understanding on pros and cons of remittance in their operation.

Remittance product for MFIs

External support is inevitable for MFIs to develop the remittance products. More specifically, support is required in following areas.

Product development (market penetration): MFIs need to penetrate their operation and they must have a marketing strategy encompassing aspects of market analysis, market entry, achieve social and economic benefit. There is a need to convince migrant workers than receivers because decision of choosing remittance company depends upon person who sent money. In fact marketing should be commissioned before migrant go to abroad. There is also a need to design remittance linked lending operation.

Managing product portfolio: The frontline staff of most of the MFIs lack adequate capacity to manage the remittance business confidently. Their capacity on diverse aspects of remittance operation need to be enhance through training, exposure visits and on-the-job training including onsite coaching. Unless MFIs have confidence on managing remittance product, they can't contribute on leveraging remittance on their operational management.

Understanding client preferences: Client prefer to receive complete packaging of services from the MFI. In view of this MFI should provide whole packages of services instead of providing only payment services. This includes extending financial (loans for overseas migration, savings, insurance, etc.) and non-financial services such as social mobilization, preparation for migration, travel management in addition to support for entrepreneurship development, loan for returnees and their families for income generation. MFIs clients prefer whole packages of service instead of single service.

Reviewing institutional capacity: There should be serious initiatives to build the capacity of the MFIs on different dimensions. Liquidity management is one of the very important areas where capacity development should focus. MFIs need to manage the required liquidity for remittance operation. Vault insurance is necessary when the volume of cash is high in branch offices. There is a need to commission consultation with insurance companies for vault insurance. Opening of client remittance deposit account could be other option which helps in managing payment when there is fund crisis. It has been found that client prefer remittance account than drawing money directly.

Product pricing: Currently MFIs are working on the price provided by the MTC or agent banks and financial institutions. With the given price they are less likely to be break-even unless their operation grows in a geometrical rate. MFIs should be capacitated properly in order to set the price of their product through its pricing under business planning framework.

Marketing remittance product

Marketing of remittance product will be an arduous and challenging task for the MFI. There should be clear-cut focus on achieving scale economy as well as clarity on service delivery methodology, more specifically partnership with MTC will fair terms of operation will be more important.

Achieving scale economy: Scale of operation is very important for leveraging remittance in microfinance. In general, if the scale of operation is small, MFIs will have problems on meeting the cost of operation. MFIs need to undertake feasibility study of remittance operation and prepare business plan of their operation before initiating remittance. Remittance services could be in loss during the initial years and it can achieved break-even within 3-5 years.

Service Delivery Modalities (Partnership Model): Remittance companies are specialized in developing infrastructure and software. It is always better to have partnership with remittance companies for leveraging remittances services with microfinance. Partnership terms and conditions should be framed to ensure win and win situation. For example, agent should invest on software and MFIs on providing retail financial services such as loan disbursement, savings and payment services. There should be time bond agreement between remittance companies and MFIs on the reimbursement of payment. Moreover, commission sharing should be transparent and based on cost incurred.

Creating institutional framework

MFIs need to create a workable institutional framework for the integrating remittance operation into their overall operational and management system. Few key areas of focus include the following.

Developing remittance policy: MFIs engaged in remittance operation should have clear policy on remittance operation that specifies operational modalities, internal control, reporting, payment procedures, etc.

Establishing delivery channels: In order to operationalise the remittance products, MFIs must establish a delivery channels that will work under diverse context, easy to operate and manage with potentials of minimizing the frauds.

Technology: Staff need to aware and educated on technologies used on remittance operation. MFI staff should be trained on operation of computer program, software program and internet. Refresher technical training may be necessary to clarify confusions and build confidence.

Social Mission: Since MFIs are established with social and financial mission, they need to ensure a balance between social and financial mission. MFIs discipline could help in controlling social evil that could happen by getting easy money. Linkages with microfinance program is utmost important to ensure productive use of remittance income for income and employment generation.

Profitability: Remittance is one of the sources of revenue in MFIs. But feasibility study and business plan is necessary before initiating remittance by MFIs. It gives profit if managed with skilled staff at low cost in partnership with remittance companies and blended with other microfinance program.

Ensuring Productive Use of Remittance

One to one consultations with migrant families and findings of the regional workshops revealed that over 80 percent of remittance has been used for consumption purpose and propensity to consume of remittance receivers families has been increased at a geometrical rate. This may lead to disaster when remit income stop. Clients should be encouraged to use the remit income in initiate IG/ME activities and encouraged to invest for creating productive asset base. MFIs should design suitable loan products to link remit income for income generation and repayment process. Remit has contributed a lot in national economy but it is the right time to increase capacity of returnees and family members of migrant workers by organizing training on skill development and updated technology for creating employment within the country for sustainability.

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Considering increasing net-work and penetration of MFIs along with increasing trend and role of remittance income in Nepalese economy, it could be the right time to work further to leverage remittance services in Nepalese microfinance. Remittance is not a new activity among Nepalese MFI and there are few MFIs with limited remittance activity. Nepalese MFIs have not started remittance product with long term vision and preparing business plan.

Remittance to date is top down approach. MFIs top management and field have yet to take remittance services as one of the essential products of MFI. Findings of this research reveal that there is potential and future for leveraging remittances with microfinance in Nepal. This is due to majority of microfinance clients as source of remittance. Microfinance may need to develop products friendly to foreign employment, suitable to returnees and develop demand driven remittance payment system.

Wire-based remittance operators and banks/financial institutions co-exist in Nepalese remittance market. Commission in case of Nepalese Remittance Company is Rs. 75/- per transaction (irrespective of volume of transaction) inclusive of applicable taxes. After deducting tax, they receive commission of Rs. 62/- per transaction. In contrast, commission provided by international MTCs such as Western Union money transfer agent ranging from Rs.200/- to 300/- depending upon volume of transaction and country from which money has been remitted.

There is a serious need to analyze the use of remittances. FGD conducted in this research revealed that about 69.5 percent of remittance is used for consumption and 30.5 percent used for productive purpose. Further, over 45% of remittance income has been used for the repayment of the loan borrowed for financing migration. There is a vital role that Nepalese MFIs has on supporting to divert remittance revenue in income generation activity and leverage remittance into their operation. Findings of this study revealed that migrants families has not properly used in the productive purposes. This is primarily due to the inability of banks and financial institutions to retain the remittance money under the banking system, and pressing need of the families to repay the pre-migration loan received from informal sector.

Limited capacity of Nepalese MFIs could pose problem in handling foreign exchange and eventually remittance. In view of this, it would be better to start up remittance program by taking sub-agencies instead of agency which need additional license and updated technology. In future, MFIs may enhance its capacity and become ready to be agent of any company by taking necessary license. Thus, instead of handling whole remittance business itself by MFIs, it would be better to have partnership with remittance companies for implementing remittance business. MFIs may provide foreign employment loans, loans for returnees, make ultimate payment and remittance companies may involve for infrastructure development, foreign exchange handling and fund management.

There is high scope of internal remittance for Nepalese MFIs. CLBB has successfully piloted wonderful initiatives in this front. MFIs can develop software and initiate internal remittance which could be helpful for members' expansion, loan repayment, deposit collection and additional revenue generation. In absence of remittance product, in future MFIs could face

problem of competition with other financial institutions. Moreover, MFIs are better means to provide payment services and generate employment to people at the bottom of the pyramid.

Contrary to the conventional notion that migrants require support during migration only, FGD conducted in this research revealed that migrants expect external assistance during entire migration cycle. Further it is evident that they expect both financial and non-finance services from government and non-government organizations. Migrants expectations during the pre-migration phase is related to access to information on migration opportunities, remittance led lending and support to migration process while during migration besides remittance services, they expect other services such as access to finance to their family members, savings and cash management services, technical advice for productive use of remittance and business development services. Further, returnee migrants are expecting support in aspects related to access to finance, enterprise development, access to non-financial services and training/capacity development.

5.2 Conclusions

There is inadequate sensitization of microfinance service providers towards leveraging remittance services in their overall operation. MFIs have yet to realize remittance services as one of the viable product for their operation and management. This has been further compounded due to low level of commission on remittance operation and in order to achieve viability on remittance operation, MFI need to achieve scale operation. As such, MFIs already have enough products and services to justify viability of their operation. Their operation has been challenged due to difficulties to obtain permission for remittance operation. Apparently, there is unhealthy competition among remittance service providers and this has eventual effect on the operation and management of MFI. There is a need to mainstream remittance operation on productive purposes.

There is a capacity constrained in the MFIs. Capacity constrain is apparent in areas of technology management (computerization, software, agent network), management complexities in relation to fund, operation and human resources, liquidity management, limited working areas, geographical remoteness, security of the fund and other operations, high staff efforts, and lack of client deposit accounts thereby necessitating for issuing check for payment. Further, commission that remittance company provide on remittance operation is relatively low and they must attain scale economy to make business case on remittance.

Fund management for quick payment, which is very common problem among MFIs. MIS is another issue which needs to review to control fraud. Effective payment of remittance is issue need to be considered because it should be as per clients demand. In many cases clients prefer cash or account deposit instead of chaque. Licensing process should be suitable for the growth of multiple companies in the market.

AML/CFT is big issue in remittance. Under-banking has been still at high volume due to remittance. Creating partnership with remittance companies is another issue to be considered. Remittance companies are expert in infrastructure and software development while MFIs have very good net-working and linkage with rural populace.

Use of remittance is always matter of debate. As most of the remittance money has been found using in consumption purpose which could be disaster when remit stop. Therefore, use

for further IG/MEA could be best option and there is a need to mainstream remittance operation on productive purposes. However, remit money has also been used for paying loans, in education and assets creation. Liquidity management is quite significant issue in remittance operation among Nepalese MFIs.

Foreign employment is capital intensive and there is tremendous scope for MFIs to introduce remittance linked lending operation which will have features of win-win situation for clients and MFIs. In this endeavors, there is inadequate effort to support Nepalese MFIs to build full capacity and provide full-fledged services on their operation.

There is lack of client ownership among remittance service providers which is compounded by cash based operation and lack of client friendly delivery mechanism. Relatively small and low number of transaction may remittance operation unattractive to most MFIs. High competition among remittance service providers has pushed most Nepalese MFIs out of remittance operation.

MFIs have opportunities to leverage remittance into their operational management system and this should be geared towards fulfilling the expectation of the migrants in their migration cycle. Some of the areas of leverage include integrating remittance services, remittance linked lending, access to finance to migrants' family members, savings and cash management services, support to enterprise development, access to non-financial services and productive use of remittance.

5.3 Recommendations

On the basis of the summary and conclusions outlined above, the study has provided recommendation as outlined in following table for leveraging remittance on microfinance operation among Nepalese MFIs.

Agent related	• Transparent and fair commission based on cost of service delivery • Timely re-imbursement of payment amount on remittance • Simple and transparent process for issuing sub-agency partnership • Support on cash management,
Government / NRB related	• Introduce separate agency licensing process for MFIs, • Differentiate licensing process for wire-based (private) and banks and financial institutions – client safety consideration, single basket system of licensing is biased towards banks and financial institution, • Introduce reporting system at sub-agent level on remittance operation, • Creating enabling environment for business development, • Providing non-financial support services for migrants and their families, • Provide effective savings and cash management services,
MFI related	• Ensure economy of operation, operate based on business plan with stringent targets, • Provision of full-fledge services (deposit, lending and remittance) directly from MFI, not as a payment agent, • Backward and forward linkages with foreign employment and

	remittance management, • Client education and awareness, • Prepare separate progress report on remittance operation, • Promote remittance linked lending, • Provide effective savings services, • Support the linkages of remittance receiving families with BDS providers. • Provide access to finance to migrants' family members, • Support to enterprise development, • Facilitate access to non-financial services,
Client related	• Open remittance deposit account in MFI • Productive use remittance, • Use the remit income to start IG/ME activities, • Explore the possibilities of receiving services from BDS providers.

ANNEXES

ANNEX A: DATA COLLECTION TOOLS

Checklist 1: Institutional Survey Checklist

शसक्तिकरण तथा विकाश केन्द्र
विप्रेषण सेवाको प्रभावकारिता अभिवृद्धि बढाउने संम्बन्धि अध्ययन
(लघुवित्त संस्थासंग संकलन गर्ने विवरण)

लघुवित्त संस्थाको नाम	:	
सम्पर्क पदाधिकारिको नाम	:	
सम्पर्क फोन नं	:	
कारोवार गरेका जिल्लाहरु	:	
कारोवार शुरु गरेको बर्ष	:	
प्रदान गरेका वित्तिय सेवाहरू	:	लघु वचत लघु ऋण लघु विमा विप्रेषण
ग्राहक संख्या	:	
• लधु वचत गर्ने ग्राहक	:	
• लधु ऋण लिने ग्राहक	:	
• लधु विमा गर्ने ग्राहक	:	
• विप्रेषण सेवा लिने ग्राहक	:	

विप्रेषण सेवा संचालन गर्ने शाखाहरु (कुन कुन शाखाबाट विप्रेषण सेवा प्रवाह भएको छ)		
साझेदार विप्रेषण सेवा प्रदायकहरु संस्थाहरु:		
साझेदार विप्रेषण सेवा प्रदायकहरु संस्था	कमिसन दर	आ.व.२०६७/६८ को कमिसन रकम (रु.)
• Western Union		
• IME		
• Prabhu		
• Sansara		
• Himal Remit		
•		
•		
•		

सव भन्दा धेरै विप्रेषण कारोवार गर्ने १० वटा शाखाहरु (कुन कुन शाखाबाट बढि विप्रेषण सेवाको प्रवाह भएको छ)

संस्थाको विप्रेषण नीति (वैदेशिक रोजगारिमा ऋण प्रवाह, विप्रेषण सेवा र वैदेशिक रोजगारिमा ऋण प्रवाहको सम्वन्ध, विप्रेषण र वचत परिचालन, आदी)
सन्चालन पद्धति (भूक्तानी व्यावस्था, रकम शोधभर्ना, आदी)

विप्रेषण कार्यक्रम संचालन गर्न के के वाधा अडचनहरु र ति वाधा अडचनहरु हटाउन सुझावहरु:		
क्षेत्रहरु	वाधा अडचनहरुको स्थीति	वाधा अडचनहरु हटाउन सुझावहरु
नीतिगत		
नियमन		
कार्यान्वयन		
संचालन खर्च		
कमिसन		

विप्रेषण सेवालाई वैदेशिक रोजगारिमा समन्वय		
विप्रेषण र वचत परिचालन		

धन्यवाद

Checklist 2: Checklist Used for Focus Group Discussion with Potential Foreign Migrant

A. General Information

Name of Person:	Sex: Male / Female
Address: District ……..…VDC……..……Word …… Tole: ……	
Name of MFI: ……..	
Education Level: ……..	
Family members:…….	
Current Occupation in Nepal: …….	

B. Foreign employment related information

Name of the country selected for foreign employment	
Reason for going in foreign employment	
Potential channel planed to used for foreign employment • Self • Employment agency • Other	
Duration for going in abroad	
Tentative cost	
Tentative revenue	

C. Expectation from MFI

Areas	**Expectation**
Finance	
Documentation	
Linkages with employer	
Others	

D. Readiness and plan for foreign employment

Readiness to pay for services providers
Plan of Use of channels for sending money
Reference on the use of transfer channels
Awareness of transfer systems

E. Any other special remarks:

Checklist 3: Checklist Used for Focus Group Discussion with Migrant Family

A. General Information

Name of Respondent: …….	Sex: Male / Female
Relation with: ……..	
Address: District ……VDC ..……Word, …… Tole: ……	
Name of MFI: ……	

B. Foreign Employment Related Information

Date of Migration	
Destination of migration	
Duration for migration	
Current work done by migrant	

C. Cost and source of finance used for migration

Total Cost	**Loan Amount (Rs)**	**Interest Rate**	**Duration**
Source of Funds			
Own			
Loan from Friends / relative			
MFI			
Bank and			
Financial Institution			
Other			

Outstanding Loan Rs:-…….

D. Loan Repayment Schedule

Source	**Repayment Schedule**
Source of Funds	
Own	
Loan from Friends / relative	
MFI	
Bank and	
Financial Institution	
Other	

E. Income related information

Particular	**Unit**	**Amount**
Gross Income	Monthly (RS)	
Cost of Living	Monthly (Rs)	
Income send	Monthly (Rs)	

F. Channel of Sending Income

Formal	
Remittance Company	
Bank	
Other	
Informal	
Friends	
Business Man	
Self	
Other	

G. Cost incurred in receiving money

Particular	**Cost Rs**
Remittance Company	
Bank	
Friends	
Business Man	
Self	
Other	

Time spent on receiving money: - …….

H. Use of Remittance Received

Purpose	Amount
Loan Repayment	
Education	
Health	
Physical Assets creation	
Land building and other Assets (ornaments)	
Consumption	
Festivals	
Rituals / Ceremonies	
Livestock	
Other	

Checklist 4: Checklist Used for Focus Group Discussion with Members Returned from Foreign Employment

A. General Information

Name of Respondent: ……	Sex: Male / Female: ……
Address: District ……..… VDC ……..……Word: …… Tole: ……	
Name of MFI: ……..	

B. Foreign Employment Related Information

Date of Migration	
Destination of migration	
Duration for migration	
Work done in abroad	
Date of return back in Nepal	

C. Cost and source of finance used for migration

Total Cost	**Loan Amount (Rs)**
Source of Funds	
Own	
Loan from Friends / relative	
MFI	
Bank and	
Financial Institution	
Other	

D. Income related information

Particular	**Unit**	**Amount**
Gross Income	Monthly (RS)	
Cost of Living	Monthly (Rs)	
Income send	Monthly (Rs)	

E. Channel used in Sending Income

Formal	
Remittance Company	
Bank	
Other	
Informal	

Friends	
Business Man	
Self	
Other	

F. Cost involved in sending money

Particular	**Cost Rs**
Remittance Company	
Bank	
Friends	
Business Man	
Self	
Other	

G. Use of Income Earned from Foreign Employment

Purpose	**Amount**
Loan Repayment	
Education	
Health	
Physical Assets creation	
Land building and other Assets (ornaments)	
Consumption	
Festivals	
Rituals / Ceremonies	
Livestock	
Other	

ANNEX B: REMITTANCE OPERATION BY COMPANIES REPORTING IN NEPAL RASTRA BANK (2009-2011 JULY)

Unit: US$

S.N.	Name of money transfer companies	2009	2010	2011
1	International Money Express	-	633,775,033.98	417,779,217.84
2	Prabhu Money Transfer	-	323,662,051.24	243,106,628.77
3	City Express	-	66,102,037.51	59,282,192.66
4	Annapurna Travel and Tours	-	68,823,078.46	40,217,182.10
5	CG FINCO	-	68,233,359.35	38,802,131.15
6	Sewa Money Transfer	-	43,456,235.65	16,939,962.51
7	Samsara	-	17,174,959.42	14,389,925.54
8	Prabhu Finance Company	-	-	12,088,775.71
9	Marvellous Remit	2,126,078.63	13,064,595.39	11,920,356.65
10	World link financial services	-	97,744,931.41	11,647,677.53
11	Nepal Money Remit	-	3,477,274.61	11,434,921.41
12	Mankamana Money Express	-	47,806,652.12	10,796,182.37
13	Christal worldwide	-	11,720,344.07	10,027,807.81
14	Surya Remit	-	3,389,751.41	5,097,699.60
15	Advance Money transfer	-	2,276,346.00	4,377,460.90
16	Wall Street Remit	-	65,505,458.89	4,286,110.88
17	Digitec Remittance	-	1,509,858.24	3,489,993.72
18	Muncha	21,556,221.00	5,229,466.00	3,233,417.00
19	JME Remit Company	-	-	3,044,084.05
20	Mta Express	-	1,561,121.48	2,601,652.50
21	Thamel Dot Com	771,993.00	2,647,329.00	2,342,197.00
22	Capital remittance	1,185,000.00	5,915,250.00	2,014,000.00
23	Newa Durga	2,322,580.00	2,886,540.00	1,543,859.44
24	Sharmik Remit Company	-	1,452,426.62	1,462,076.82
25	Online Nepal	-	2,774,653.94	1,241,248.06
26	Easy Link	592,283.30	1,078,657.98	1,054,122.46
27	Lalit	483,675.61	952,860.87	786,640.67
28	Delta International	4,517,380.05	3,564,993.93	723,093.85
29	Panos Remit	-	143,488.64	434,447.19
30	Incentive tours and travels	1,413,433.13	2,952,458.74	350,298.03
31	Nepal Remittance	20,734,484.40	2,226,205.22	333,299.32
32	Arya Zambala	-	142,528.23	209,545.39
33	Modern Money Express	-	1,724,464.87	182,019.52
34	Best Choice Nepal	14,960.00	56,271.65	35,193.00
35	Mankamana Development Bank	-	11,273.55	6,136.50
36	Hulas remittance	-	50,871,189.79	-

S.N.	Name of money transfer companies	2009	2010	2011
37	Incentive Money Transfer	-	3,420,366.61	-
38	Unique money exchnage	1,377,768.62	966,177.00	-
39	Three Star	55,938.00	564,985.00	-
40	Grameen	85,724.70	303,183.58	-
41	Liberal Money Express	-	65,092.15	-
42	SRGN	-	-	-
43	ABI International	-	-	-
44	My remit	576.80	1,003.64	-
45	Prabhu Money Changer	-	-	
	Total	57,238,097.24	1,559,233,956.24	937,281,557.95

Source: Foreign Exchange Management Department, Follow-up and Inspection Section, Nepal Rastra Bank

Note: Information of 2011 related between January to July i.e. 7 months figure

ANNEX C: LIST OF THE PERSON MET

S.N.	Name of the Person	Designation	Name of the Institution
1.	Mr. Ram Chandra Joshi	CEO	Chhimek Bikas Bank
2.	Dr. Hari Har Dev Panta	CEO	Nirdhan Uthan Bank
3.	Mr. Ram Kumar Shrestha	CEO	Sawalamban Bikas Bank
4.	Mr. Mani Aryal	CEO	Nerude Laghu Bitta Bikas Bank
5.	Mr. Hari Acharya	Sr. Officer	Deprosc Laghu Bitta Bikas Bank
6.	Mr. K.B. Lama	Manager	Bindha Basini Bachat Sahakari Sanstha Limited
7.	Mr. Pradeep Mishra	Head-Inward Sourcing	Nabil Bank Limited
8.	Mr. Rajdeep Upreti	Marketing Executive-remittance	Nabil Bank Limited
9.	Mr. Panchanarayan Prajapati	Assistant Director, Foreign Exchange Management Department	Nepal Rastra Bank
10.	Mr. Dipendra Pokharel	Remittance License Issue Section	Nepal Rastra Bank
11.	Mr. Roshan Sigdel	Balance of Payment Section	Nepal Rastra Bank
12.	Mr. Sanjiv Poudel	Manager	Excellence Cooperative Service
13.	Mr. Bimal Khanal	Manager, Tandi Branch	Nirdhan Uthan Bank
14.	Mr. Prem Raj Joshi	Manager, Tandi Branch	Chhimek Bikas Bank
15.	Ms. Mina Shrestha	MF Client, Nasik-2, Kavre	Bindabashini Bachat Sanstha
16.	Ms. Jay Ram Timilsina	Returnee	Khopasi, Kavre
17.	Ms. Ambika B.K.	MF Client, Keragari, Kavre	DD Bank
18.	Ms. Satya Maya Mijar	MF Client, Panchkhal-9, Kavre	DD Bank
19.	Ms. Mangali Kumari Shrestha	MF Client, Panchakhal-9, Kavre	DD Bank
20.	Ms. Tohari Chaudhary	MF Client, Khairani-4, Magani, Chitwan	Nirdhan Bank
21.	Ms. Sita Chaudhary	MF Client, Khairani-4, Magani, Chitwan	Nirdhan Bank
22.	Ms. Buddha Laxmi	MF Client, Ratnanagar-13, Chitwan	Chhimek Bank
23.	Ms. Jaya Kala Paudel	MF Client, Ratnanagar-13, Chitwan	Chhimek Bank
24.	Ms. Bishnu Kumari	MF Client, Ratnanagar-13, Chitwan	Chhimek Bank
25.	Ms. Sita Paudel	MF Client, Ratnanagar-13, Chitwan	Chhimek Bank
26.	Mr. Ganesh Khatiwada	Manager	Janapragati Cooperative

S.N.	Name of the Person	Designation	Name of the Institution
27.	Mr. Gopi Lamsal	Manager	Sanakisan Krishi Sahakari Sanstha
28.	Mr. Narayan Adhikari	Field Officer	-
29.	Ms. Sarala Regmi	Manager	Ujjal Mahila Cooperative
30.	Mr. Hira Gurung	Manager	Annapurna Cooperative
31.	Mr. Hom Nath	Manager	Padampur Cooperative
32.	Mr. Hem Kafle	Division Chief	DD Bank
33.	Mr. Hari Paudel	Branch Manager	Alpine Development Bank
34.	Mr. Eak Narayan Paudel	Manager	Amrit Dhara Cooperative
35.	Mr. Rajendra Koirala	Manager	Aparna Cooperative
36.	Mr.Dorna Prasad Lamichane	Manager	Suracchit Cooperative
37.	Mr. Pujan Koirala	Manager	Hansa Cooperative
38.	Mr. Roj Nath Pathak	Manager	Mirga Cooperative
39.	Mr. Nabin Sapkota	Manager	Kisan Cooperative
40.	Ms. Bhagabati Paudel	Manager	Pragati Cooperative

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