

Will Nepali Remittance Bounce Back?

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Summary

The return of migrant workers due to the COVID-19 pandemic has impacted remittances to Nepal leading to lower consumption. However, given the history of Nepali migration, this trend is expected to be short-lived. Once countries start opening up, the demand for Nepali workers is expected to pick up resulting in the return of remittances.

The COVID-19 pandemic has had an unprecedented impact on the economies around the world. For Nepal, which has little integration with the global economy as its currency is pegged with the Indian Rupee, as well as its low volume of exports and a smaller presence of foreign investors and firms, the economic impact has been big on two sectors – tourism and remittances. While tourism will directly and indirectly affect jobs, recovery of debts by banks and the handicrafts industry, the impact of remittances will fall directly on consumption that drives the Nepali economy. The Nepal Bank, in its publication, *The Status of Remittance Inflow in Nepal*, indicated a total of NPR879.3 billion (S\$10.9 billion) in remittances in the fiscal year (FY) 2018/19,¹ which is 25.4 per cent to the national gross domestic product (GDP) of NPR3.4 trillion (S\$41.5 billion).² This indicates a four-fold increase in 10 years. This paper attempts to provide a background and historical perspective to remittances, the impact of COVID-19 and what lies ahead.

History and Background

Nepali Migration: The first batch of migrants that went out of the Kathmandu valley would perhaps be the one that left with Princess Bhrikuti in the seventh century. Thereafter, in the 12th century, Nepali craftsman, Arniko, triggered the culture of migrating for work and later for business too. With Tibetan Buddhism flourishing, artisans from Nepal found work building monasteries and furthering their craft in the Himalayan kingdoms. However, a large exodus of people began after the Rana rule was established in 1846 due to the hardships faced under his regime as well as to take advantage of growth in the region. It began with the establishment of tea plantations in Assam and Darjeeling, which was a labour-intensive business. They moved further to Malaysia and Burma, which were then part of the same British empire.²

An Economy Dependent on Remittances: Since the advent of the First World War, when Nepalis went to fight as mercenaries in the British Army, remittances sent by these soldiers formed the bulk of receipts of Nepal's economy and source of funds for consumption. This peaked during the Second World War with Nepali soldiers wearing foreign uniforms and sending money back. Thereafter, the Gorkha soldiers were part of the defense forces of

¹ Nepali fiscal year begins on 16 July and ends on 15 July, based on the Bikram Sambat (era) months of Shrawan to Asad.

² Sujeev Shakya, *Unleashing The Vajra – Nepal's Journey Between India and China* (Penguin 2020), p. 223.

many countries, including the British Army, Indian Army, Singapore Police and the Sultanate of Brunei. Till 1970, the remittances from these soldiers were the biggest receipts of Nepal's economy.

Floodgates Open: It was only in 1994 that passports could be easily acquired within a week across district headquarters all over Nepal. Now, every Nepali had the opportunity to work outside the country. The advent of low cost airlines, the dominance of airlines from the Middle East that connected the world and the opportunities resulting from the rise of the Southeast Asian economies provided Nepalis the option to find work in different parts of the world. These high-volume low-value money transfers led to the creation of remittance companies in Nepal that soon went global. While the Nepalis settled in Hong Kong could take up a United Kingdom (UK) passport just before its handover to China, the opening up of British citizenship programmes to Gorkha soldiers, the Diversity Visa Program of the United States (US) as well as the permanent residence programmes of Australia and Canada provided them with the opportunity to renounce their Nepali citizenship, settle abroad and then send money back home. These remittances continue to dominate foreign exchange earnings.

Today, the US, South Korea and Japan continue to be high sources of remittances to Nepal. India remains a destination for Nepalis to go for work, especially seasonal work. Also, those residing in the far west of Nepal still find opportunities in Indian cities closer than their own capital, Kathmandu. However, India, an only option till 1990, has now become the least preferred destination to migrate for work. By 2020, Nepal opened up 110 countries for foreign jobs but Nepalis work as migrant workers legally and illegally in as many as 172 countries.³ By moving up the economic value chain, Nepalis are also becoming employers. For instance, a millionaire running an education business in Australia or a Nepali owning hotel chains in Germany has now become a new recruiter. While there are Nepali sub-contractors in Afghanistan, Iraq and South Sudan, conflict states sometimes recruit Nepalis through illegal channels providing high-paying, risky jobs in the security and construction sectors.

Impact of COVID-19

Reduction in Remittances: Till June 2020, the COVID-19 pandemic had not caused a major dent to remittances but it is expected that inflows will take a big hit in the short-term. The pandemic will hit low- and middle-income countries sharply as global remittances are expected to fall by about one-fifth this year. The estimated 20 per cent slump represents US\$109 billion (S\$151.7 billion) in 2020.⁴ The World Bank projects that remittances to Nepal will slide by 14 per cent this year – not the biggest slump in the region – but remittances

³ "Over 50 Per Cent Of Remittance To Nepal Comes From Gulf Countries", Laxman Kafle, *The Rising Nepal*, 28 January 2020. [https://risingnepaldaily.com/mustread/over-50-per-cent-of-remittance-to-nepal-comes-from-gulf-countries#:~:text=The%20United%20States%20of%20America,cent\)%20from%20Japan%20and%20Rs.](https://risingnepaldaily.com/mustread/over-50-per-cent-of-remittance-to-nepal-comes-from-gulf-countries#:~:text=The%20United%20States%20of%20America,cent)%20from%20Japan%20and%20Rs.)

⁴ "COVID-19 changing the landscape for migrants and remittances", UNCDF, 19 June 2020. [https://www.uncdf.org/article/5606/covid-19-changing-the-landscape-for-migrants-and-remittances.](https://www.uncdf.org/article/5606/covid-19-changing-the-landscape-for-migrants-and-remittances)

represent more than 25 per cent of the country's economic output.⁵ Along the same lines, a study titled 'Rapid Assessment of Socio-Economic Impact of Covid-19 in Nepal' by the Institute for Integrated Development Studies suggests that the fall in remittance is likely to range between 15 and 20 per cent this fiscal year.⁶

Lower Remittances means Lower Consumption: In FY2018/19, due to a growth in remittances, there was high consumption and spending at the household level, accounting for an estimated 80 per cent of the national GDP.⁷ However, in FY2019/20, since the supply of money was visibly affected due to decreased remittance inflows, the disposable income level of the households has also been negatively hit. As remittance drives 79 per cent⁸ of household consumption, a fall will correspondingly reduce disposable income especially for remittance dependent families, ultimately pushing them back into poverty.

Migrants and COVID-19 Infections: When Nepal announced its lockdown from 23 March 2020, a day before India, no one had imagined that this decision would lead to millions of people leaving urban centres and walking back home. This migration became the biggest humanitarian crisis of the 21st century. In India, this has been compared to the mass movement of people during the 1947 Partition of India and Pakistan. However, this overshadowed what was happening in Nepal wherein migrant workers from the Kathmandu valley and other urban centres were returning to their villages. At the same time, there was a similar movement of Nepali workers across the borders. It is estimated that a total of 58,769 migrant workers returned from India to Nepal between mid-March and mid-May 2020. Each day, an average of 6,000 migrant workers entered Nepal from the western border while about 1,500 people came from the eastern border,⁹ with nearly 580,000 migrant workers still stranded in several parts of India and other Nepal-India border regions.¹⁰ When the border was shut, images of people jumping into rivers to cross the border in western Nepal were splashed on social media.¹¹ These returnees came to poorly managed quarantine centres and isolation wards with inadequate testing facilities. The villages and towns in the border region soon became hotspots. With people fleeing quarantine centres and using the porous borders to cross, they unknowingly became carriers of the virus to various villages, towns and cities across the Himalayan country.

⁵ "Nepal faces a crisis as COVID-19 stems the flow of remittance", Ali Akram & Andrew Caruana Galizia, World Economic Forum, 16 June 2020. <https://www.weforum.org/discom?bobulate=iNBSDv0lesbbMOxOzUwSIHGfTA/OuDAYC8HxoQXwVNasVHrkm7gla8cQm8tm%0AsNXoCwqwCfz5n6n54qMOVJlyhQ%3D%3D%0A>.

⁶ "Rapid Assessment of Socio-Economic Impact of Covid-19 in Nepal", Institute for Integrated Development Studies, 2020.

⁷ "Nepal: Macroeconomic Update", Asian Development Bank, Volume 8, No.1, April 2020. <https://www.adb.org/sites/default/files/institutional-document/577946/nepal-macroeconomic-update-202004.pdf>.

⁸ CBS, Nepal.

⁹ "The long journey to Nepal", Upasana Khadka, *The Nepali Times*, 27 May 2020. <https://www.nepalitimes.com/latest/the-long-journey-to-nepal/>

¹⁰ "58,769 have returned home since Mar 24", *The Himalayan Times Editorial*, 25 May 2020. <https://thehimalayantimes.com/nepal/58769-have-returned-home-since-mar-24/>.

¹¹ "Nepalis are swimming across the Mahakali to get home", Manoj Badu, *The Kathmandu Post*, 30 March 2020. <https://kathmandupost.com/2/2020/03/30/nepalis-are-swimming-across-the-mahakali-to-get-home>.

Disparity in Treatment: When the first batch of students from Wuhan was rescued in January 2020, they did not have to pay for either their airfare or quarantine facilities where they spent 14 days. There was a huge outcry from the public demanding that the government bring back migrant workers in the Middle East and Malaysia. The government's initial estimates showed that around 130,000 migrants would return back home although this figure is subject to error because of its changing decisions.¹² Arrangements were made to repatriate 25,000 stranded migrant labourers in its first phase of evacuation.¹³ In a stark contrast to migrant workers, these returnees were put up in hotels and isolation centres. However, this disparity in treatment did not attract adverse public reaction as the country was embroiled in the nationalistic fervour of amending maps, discussing government apathy towards a US grant to Nepal, controversial citizenship bills and many other measures. While people entering Nepal through land were met with harsh, strict and compulsory quarantine rules, those entering Nepal through repatriation flights were allowed access to their normal life after fulfilling the bare minimum criteria.

What Lies Ahead?

The impact of COVID-19 has provided the opportunity to examine whether or not this pandemic will actually end the rapid migration of Nepalis, thereby impacting remittances. Current indications suggest that this will bounce back, albeit, after a hiatus of a year or more depending on the time it will take for normalcy in travel, adoption of work protocols and acceptance of the new normal. The following provide a perspective of what lies ahead.

Economy of Destinations: While the economies around the world have been hard hit, including the destination of work for Nepalis, this will be more of a short-term phenomenon. It is very hard to believe that people from host countries like the United Arab Emirates and Qatar will actually get around to doing their own dishes. Their lives have been engineered to depend on workers from outside and this will not change. There may be a hiatus but the demand will not end. When the lockdown ended and chartered flights opened up, the first batch of Nepali workers who were stranded at home returned to their jobs in South Korea. The new normal will open up new types of jobs at airports, hotels, construction of new hospitals, factories and other emergency response systems.

Will Nepalis Replace Indian Workers in Nepal?: For many workers who are now stranded in Nepal or may not want to go back, domestic job openings will increase. Officially, there were 600,000 Indian workers in Nepal before this crisis began. These can now become opportunities for Nepali workers to prove that they can also work with the same productivity and accept the same wages as Indian workers. With the India-Nepal relationship at its worst, workers from both India and Nepal could be apprehensive about wanting to go to the other country in search of work.

Nepalis will find New Destinations: From Poland to Portugal, the past decade has seen the population of Nepalis increase multi-fold. They have found new ways to reach these

¹² "COVID-19 and reverse migration in Nepal", Upasana Khadkha, MPC Blogs, 10 June 2020. <https://blogs.eui.eu/migrationpolicycentre/covid-19-reverse-migration-nepal/>.

¹³ "Nepalis Stranded Abroad to be evacuated", *Himalayan Times*, 30 May 2020. <https://thehimalayantimes.com/nepal/nepalis-stranded-abroad-to-be-evacuated/>.

countries, be it education or even illegally. Nepalis are known for their resilience and their ability to find work and thrive even in highly unsafe countries such as Iraq and South Sudan. Therefore, migration will not slow. Their ability to take risks will find them new jobs and countries to go to.

Urge to leave Nepal: When the US opens its application for the Diversity Visa, more than a million Nepalis apply, indicating that one in five young Nepali is looking forward to emigrate. Nearly 100,000 people go to Australia, the UK and the US seeking long-term settlement through student visas. The current government has made people more frustrated in the manner in which it has handled the pandemic, the corruption in spending and the slew of authoritarian, conservative and power grabbing legislations that has been implemented in recent times. Further, the discovery of conservatism and hypocrisy in Nepali homes by young working women who have to multitask during the lockdown period will find escape from the conservative Nepali life in foreign lands.

Mass Alzheimer: The human race forgets quickly and moves on and perhaps Nepalis must lead the way. Nepalis have forgotten the bitter insurgency that claimed over 14,000 lives and displaced millions people. They have forgotten the wreckage caused by the massive earthquake of April 2015 and have returned to their previous lives. The Indian blockade and hardships that followed is only remembered when nationalism is stoked. More recently, when the lockdown started to ease, people behaved as if they had come out for a picnic. Nepalis did not stop going to fight wars despite large-scale casualties and migration has not dented with pictures of coffins coming back to Nepal each day. Most likely, Nepalis will put the gruesome journeys, the lives at the quarantine centres, deaths and losses behind and move on. In all likelihood, the remittances will bounce back in such a manner that the numbers will baffle economists and analysts.

Given Nepal's history of migration and the Nepali mindset, the impact of the COVID-19 pandemic may last a year or two. After that, Nepali remittance will bounce back more strongly than before.

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