

## Remittance vs. Entrepreneurship: Challenges & Opportunities

*"No country can achieve its full potential unless it draws on the talents of all its people."*

- Barrack Obama

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Entrepreneurship is increasingly becoming a trending topic worldwide as global development is entering a phase where innovation leads countries to major economic transformation. It is no wonder entrepreneurship is considered as the engine for a country's economic growth and overall social progress as it has helped in transformation of many western developed nations.

Nowhere is the need for entrepreneurship more relevant in transforming Least Developed Countries (LDCs) like Nepal, where the youths are draining out in search of job opportunities. The number of Nepali workers going abroad has more than doubled since the country began promoting foreign labor in recent years – about 220,000 in 2008 to about 500,000 in 2015. With the current trend of rising emigration, dependence of Nepalese economy on remittance has also escalated. Remittance income now makes up a sizable portion of Nepal's GDP i.e. approx. 30%. Though there are arguments on both sides about the benefits of a remittance economy, we must accept that remittance income has definitely played a pivotal role in Nepal's socio-economic development. Remittance has had several major impacts such as reducing poverty, rising standard of living as well as increasing per capita income. There are also studies that indicate that remittance income, over a period of time, tends to be a fairly stable income source as compared to others. During national disasters or difficult economic scenarios in the home country, workers abroad are more inclined to remit high funds to their families back home. This was also witnessed during Nepal's earthquake in 2015 when there was a huge upsurge in remittance right after the devastating event. However, this begs to question if remittance can truly become an alternative for a country's long-term sustainability. It is believed that continued reliance on remittances can produce a dangerous dependency that may inhibit long-term productive economic growth and inculcate a culture of reliance on income transfers. Remittances give rise to sharp inflow of foreign currency which leads to currency appreciation, making country's export products less price-competitive – also known as

“Dutch Disease”. Several studies also indicate that increase in remittance income inhibits local productivity, while increasing the level of consumption in that country. Over-dependency on remittance can have drastic effects on an economy if there is a sudden drop or steady decline in such income. Hence, a country like Nepal, which has very little export based products could find it tough to manage its finances without a steady stream of remittance income.

Remittance has also contributed to another major negative impact on many rural households. With the ever-increasing trend of Nepali workers going abroad, the death toll among these workers has also been rising each passing year. Sadly, many of the workers who excitedly wave their final goodbyes to their families with the hope of fulfilling their dreams come back home in coffins. According to an analysis by Associated Press through data released by Nepal's Ministry of Labor and Employment, one out of every 2,500 workers died in 2008, while one out of every 500 workers died in 2015. Though remittance income has become a boon for many rural areas across Nepal, deaths of many male workers abroad has also had a profound impact on their family members. Despite such circumstances, many Nepali youths still travel abroad and toil in harsh conditions in search for better opportunities. On the other end of the spectrum, Nepal has carried forward a vision to graduate from the ‘Least Developed Countries’ category to a ‘Developing Country’ by 2022, as per the National Planning Commission. However, to achieve such a target, Nepal has to boost its economic growth and GNI per capita at a rapid rate. But, considering the realities of lack in government expenditure and FDI as well as the trend of youth leaving the country, the plan to achieve developing status lacks conviction.

With numerous issues facing Nepalese economy, entrepreneurship can provide the much needed boost to spearhead economic activity in the country. There is a wide consensus that entrepreneurship contributes towards economic growth and employment creation in emerging and least developed economies alike. In Nepal, entrepreneurs can act as a catalyst for economic growth and development through job creation, income enhancement and poverty reduction. Firstly, entrepreneurs can promote capital formation by mobilizing the idle savings of people. Secondly, they can provide immediate various job opportunities, which can reduce the emigration and unemployment rate along with over-dependence on remittance. Thirdly, as entrepreneurs are always on the lookout for opportunities, they can explore and exploit new ideas and technological advancements, encourage effective resource mobilization of capital and skill, and introduce new products and services, which can help significantly enhance Nepal’s economic growth.

As entrepreneurial activities gather momentum, it can create a multiplier effect on an economy, which can help in the overall development of the country. It is no wonder many countries today are placing major emphasis on an entrepreneurial culture. Despite the hurdles that many entrepreneurs in Nepal face today, this culture can be gradually seen growing among the young generation. With rising number of Millennials in the workforce, there has been a stark change in their work preference. Moving away from the traditional salaried desk job, many youths today prefer taking a risk and establishing their own ventures. Many self-empowered young graduates are choosing entrepreneurship as their career, as they are constantly seeking new opportunities in the marketplace. However, becoming an entrepreneur is easier said than done, especially in a country like Nepal, where proper laws and system is lacking. Studies have shown that lack of access to finance is one of the major problems faced by entrepreneurs in Nepal. Many great ideas generated by entrepreneurs fail to take off the ground as they fail to obtain funds required to kick-start the project. Financial institutions in Nepal do not have the risk appetite to provide loans to entrepreneurs who do not have a tangible security such as collateral. Others face problems such as lack of necessary skills and resources to start or scale up their businesses.

However, due to rising importance of entrepreneurship for a country's development, substantial efforts must be made to address these issues on a national level. The government should play an active role in promoting entrepreneurship culture. To resolve the issue of raising capital, the government can provide grants or subsidy in equipment purchase to entrepreneurs who meet certain criteria set by them. The government can also enforce banks and financial institutions to provide a small percentage of loans to entrepreneurs without requiring collateral. The government can act as a guarantor for such types of loans. In the private sector, a proper mechanism should be created to bridge the funding gap between entrepreneurs and investors. As banks do not provide loans without collateral in Nepal, this gap can be fulfilled by venture capitalists, private equity firms, angel investors and others. In Nepal, a culture for debt and equity financing by venture capitalists and private equity needs to grow. Though there are substantial risks when investing in such companies, the rewards, if successful, are also significant. Hence, by funding these start-ups, investors and financial institutions not only promote investment in productive sectors but it also helps them diversify their holdings and build a strong portfolio.

Various young entrepreneurs in Nepal have become pioneers in their field through innovative business ideas. However, many still lack the guidance and support to turn their vision into successful ventures. Though entrepreneurs tend to be highly skilled in their own field, they may be

less informed about how to manage their finances and human resources, work under legal and compliance framework, acquire equity and debt funding, maintain proper accounting system, etc. In recent times, several organizations have been making efforts to mentor such viable, entrepreneurial businesses and make them more-investment friendly to potential investors. Such organizations create a platform, where entrepreneurs can get both mentorship and an opportunity to pitch their ideas to prospective investors and raise capital in the process. For instance, recently, Enterprise, a business accelerator program initiated a 12-week mentorship platform, where 6 innovative Nepali companies were chosen among many. They went through a rigorous training program that helped these companies to refine their business ideas, raise funds, and move to the next level of business growth. Such kind of platform acts as a catalyst by encouraging entrepreneurs and gives them the self-confidence to move ahead with conviction. Besides such programs, today's entrepreneurs and business leaders can also play an important role in nurturing the next generation of wealth and job creators.

The difference between the need for remittance and entrepreneurship in Nepal depends on how one views the country's short-term or long-term needs. Though remittance income has become a source for reducing poverty, uplifting socio-economic status, and fulfilling country's financing needs in the short-term, the adverse impact to productive sector, job-creation and long-term sustainability persists. Entrepreneurship, on the other hand can play a vital role in creating job opportunities which in turn would help reduce brain-drain and foreign employment. Though this may result in reduction of foreign currency in the near-term, it could provide a strong base for innovation and job creation with a more exuberant and stable economy in the future. Countries that have created proper platform for development of entrepreneurs have also produced some of the most innovative and revolutionary ideas that have changed our way of life. Hence, there must be an emphasis on creating a proper ecosystem for entrepreneurs such that Nepal can move away from its over-dependence on remittance.

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