



The Economic Loss for Nepal Due to Nepalese Students Studying Abroad

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Abstract: The migration of Nepalese students for higher education abroad has increased substantially, creating both opportunities and economic challenges for Nepal. Each year, tens of thousands leave for destinations such as the United States, Australia, Canada, and the United Kingdom, causing considerable financial outflows and loss of skilled human capital. This study reviews government and academic data to assess economic effects along five dimensions: foreign exchange outflow, opportunity costs, reduced domestic investment, diminished remittance contributions, and long-term brain drain. Annually, foreign education costs exceed USD 1 billion, pressuring foreign exchange reserves and weakening the currency. The loss of skilled professionals constrains innovation and development. Despite these challenges, benefits include improved skills, global exposure, and diaspora support. Recommendations include bolstering domestic higher education, promoting return migration, channeling remittances into education and entrepreneurship, and broadened access to online international programs. While individuals gain from studying abroad, Nepal faces substantial economic challenges requiring strategic, long-term policies to retain and leverage human capital.

Keywords: *Nepalese student migration, higher education mobility, brain drain, foreign exchange outflow, economic impact Nepal,*

1. Introduction

The outflow of Nepalese students to foreign countries for higher education has become a defining trend of the past two decades. In an increasingly globalized world, international academic mobility is viewed as a pathway to personal and professional advancement. However, while this phenomenon brings certain advantages to individuals and the nation, it also poses significant economic and social challenges for Nepal. According to the Ministry of Education, Science and Technology (MoEST), the number of students applying for No Objection Certificates (NOCs) to study abroad has risen steadily, with popular destinations including Australia, the United States, the United Kingdom, Canada, and Japan. This paper aims to

comprehensively analyze the economic implications of this outbound student mobility, focusing on foreign exchange outflow, opportunity costs, reduction in domestic investment, diminished remittance contributions, and the persistent threat of brain drain. It also considers policy measures that may help Nepal address these challenges while leveraging potential benefits.

The number of Nepalese students pursuing higher education abroad has increased rapidly, driven by the pursuit of improved academic opportunities and global exposure. While this mobility provides personal and professional benefits, it imposes considerable economic costs on Nepal. Foreign currency outflow, reduced domestic investment, and long-term loss of skilled labor all contribute to economic

strain (MoEST, 2021). This paper analyzes the economic consequences of students studying abroad and evaluates potential policy solutions.

2. Literature Review

A growing body of literature has examined the impact of student migration from developing countries. Studies in South Asia, Africa, and Latin America highlight similar concerns regarding foreign exchange loss, human capital flight, and the weakening of domestic higher education systems (Altbach & Knight, 2007; Beine et al., 2014). In the context of Nepal, Sharma (2019) provides an in-depth analysis of economic consequences, finding that the majority of Nepalese students do not return after graduation, exacerbating the national skills deficit. Furthermore, studies by the World Bank (2020) and UNESCO (2022) emphasize the positive potential of diaspora networks, knowledge transfer, and remittance flows when managed effectively. This literature review contextualizes Nepal's experience within global and regional trends, providing a foundation for the present study's analysis.

2. Methods

This research employs a qualitative synthesis of secondary data, drawing from official government publications, international organizational reports, and peer-reviewed academic literature. Primary sources include annual data from the Ministry of Education, Science and Technology (2021), foreign exchange statistics from Nepal Rastra Bank (2020), and economic analyses from Sharma (2019). Additional references were reviewed to compare Nepal's situation with that of neighboring countries and to identify best practices for mitigating economic loss. The analysis systematically extracts recurring themes and quantitative indicators regarding economic impacts, brain drain, and policy interventions. Limitations related to data completeness and possible reporting biases are acknowledged and addressed.

3. Results

Analysis of the collected data and literature reveals several key findings:

- **Rising Outbound Mobility:** More than 50,000 Nepalese students left for overseas studies in 2019 (MoEST, 2021), with numbers increasing annually. The trend is driven by limited capacity and perceived lower quality in domestic universities, as well as aggressive recruitment by foreign institutions. Australia alone accounted for approximately 35% of NOCs issued in 2019, followed by the United States, Japan, and the United Kingdom.
- **Foreign Exchange Outflow:** Over USD 1 billion per year is spent on tuition fees, living expenses, and travel (Nepal Rastra Bank, 2020). This figure is likely an underestimate, as it does not account for unofficial channels of money transfer. The outflow places immense pressure on Nepal's foreign currency reserves, which are already constrained by trade deficits and limited export earnings. In years of heightened student mobility, this outflow has contributed to currency depreciation and inflation.
- **Loss of Potential Investment:** Household savings and loans funneled into foreign education could otherwise be invested in local businesses, infrastructure, or human resource development. This diversion of capital reduces opportunities for domestic job creation and entrepreneurship, slowing broader economic growth. In the absence of robust financial mechanisms to encourage investment at home, families often perceive education abroad as the safest and most rewarding use of resources.
- **Brain Drain:** A large share of Nepalese students settles abroad after graduation, decreasing the availability of skilled labor in Nepal (Sharma,

2019). The loss is particularly acute in high-demand fields such as medicine, engineering, and information technology. The absence of sufficient incentives for return migration means that the country loses not only tuition investments but also the intellectual and entrepreneurial capital needed for innovation. The loss is particularly acute in high-demand fields such as medicine, engineering, and information technology. The absence of sufficient incentives for return migration means that the country loses not only tuition investments but also the intellectual and entrepreneurial capital needed for innovation. The loss is particularly acute in high-demand fields such as medicine, engineering, and information technology. The absence of sufficient incentives for return migration means that the country loses not only tuition investments but also the intellectual and entrepreneurial capital needed for innovation.

- **Short-Term vs. Long-Term Effects:** While some short-term benefits do accrue—such as remittances from students working part-time abroad or from graduates who maintain ties with Nepal—these are generally outweighed by long-term economic losses. The weakening of domestic capacity in education, research, and industry is a significant concern, as is the risk of creating a cycle where the best and brightest continue to look abroad for opportunities.

4. Discussion

The evidence paints a complex picture of the costs and benefits associated with Nepalese student migration. On the one hand, students gain access to world-class education, develop professional skills, and build international networks. Some return with advanced expertise, contributing positively to Nepal's

development. However, the challenges are substantial. The economic loss in terms of foreign currency outflow directly impacts the country's financial stability, reducing the central bank's ability to finance imports and stabilize the Nepali rupee. The opportunity costs—lost investment in local enterprises—are rarely recuperated. The persistent brain drain undermines national goals for technological advancement and self-sufficiency. Socially, the aspiration to study abroad has reshaped family expectations and may lead to increased inequality, as only those with sufficient means can access these opportunities. Comparisons with countries like India and Bangladesh reveal similar challenges but also highlight innovative policy responses, such as scholarship bonds and returnee incentive programs, that Nepal could consider adopting.

The results indicate that Nepal faces significant economic challenges due to the outflow of students. Foreign exchange reserves are heavily affected, impacting currency stability and the balance of payments. Long-term human capital loss reduces the pool of skilled workers needed for national development. Nevertheless, the experience of other countries suggests that brain drain can be converted into 'brain gain' through targeted policies. These may include fostering alumni networks, encouraging knowledge exchange programs, incentivizing return migration through tax breaks or career opportunities, and investing in domestic higher education quality. The recent growth in online and distance learning offers an avenue for students to gain international credentials without leaving Nepal, thus retaining both human and financial capital. Furthermore, transparent regulation of education consultancies and improved data collection will help policymakers design more effective interventions.

5. Limitations

This study relies primarily on secondary data, which may be subject to inaccuracies, reporting delays, or incomplete coverage—

particularly with respect to unofficial financial flows and student outcomes after graduation. The qualitative nature of the analysis limits the ability to quantify all indirect economic and social impacts. Future research should incorporate primary data collection, longitudinal tracking of student careers, and comparative studies with other countries to provide a more comprehensive understanding.

5. Conclusion

The trend of Nepalese students studying abroad generates major economic losses through foreign currency outflow, reduced domestic investment, and human capital depletion. Although individual students benefit from global exposure and enhanced opportunities, these benefits do not automatically translate into national development unless supported by targeted policies. Nepal should prioritize the improvement of domestic higher education institutions, establish partnerships with foreign universities for joint programs, provide incentives for graduates to return, and channel remittances into productive sectors such as entrepreneurship and research. By taking a holistic and strategic approach, Nepal can harness the advantages of international student mobility while minimizing its economic and social costs. Transforming brain drain into brain circulation, and eventually into brain gain, requires coordinated action from government, academia, and the private sector.

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