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Nepal's Diaspora and Its Potential in Fostering International Business

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Nepal's diaspora has long been recognized as a source of international remittances, but its broader potential in international business remains largely untapped. With more than 2.1 million Nepalis living in over 100 countries and remittances contributing nearly a quarter of Nepal's gross domestic product, diaspora engagement is both substantial and strategic. This article explores how Nepal can transition from remittance dependency to a model that leverages diaspora capital, knowledge, and networks to foster entrepreneurship and expand international business. Drawing from South Asian and broader international comparisons, the article offers focused recommendations to unlock diaspora-led investment, venture creation, and business internationalization. Policy reform, institutional support, and targeted incentives are essential tools to transform the Nepali diaspora into a long-term driver of national economic growth.

INTRODUCTION

Nepal's unique geographical location presents an economic landscape rich in opportunities but fraught with challenges for international business. Located in South Asia alongside India and China, two economic powerhouses, Nepal's trade relations and economic policies are heavily influenced by its neighbors (Sharma, 2020). In 2023, Nepal's gross domestic product (GDP) stood at \$46.08 billion, with a per capita GDP of \$1,460 (International Monetary Fund, 2025). Agriculture, services, and international remittances (IR) remain the main economic drivers. Despite ranking third in South Asia for ease of doing business (World Bank, 2020), Nepal continues to face a persistent trade imbalance.

While Nepal's landlocked status has traditionally shaped its economic discourse, an alternative narrative is emerging—one that emphasizes cross-border trade, regional connectivity, and the strategic engagement of its global diaspora. This shift, along with Nepal's integration into South Asia's evolving economic framework (Kumar, 2025) positions the country as a potential business hub (Sharma, 2020). However, the United Nations Conference on Trade and Development (2024) reports that foreign direct investment (FDI) remains low, with inflows of just \$74 million in 2023 despite a 13.4% increase from the previous year.

Amid these challenges, the Nepali diaspora—numbering over 2.1 million across countries including the Gulf states, Malaysia, the United States, the United Kingdom, various European countries, and Australia—emerges as a vital yet underutilized asset. While IR contributes around 25% of Nepal's GDP (Nepal Rastra Bank, 2024), the diaspora's potential extends far beyond financial transfers, offering entrepreneurial capital, international business experience,

and networks that can catalyze innovation, investment, and trade (Adhikari, 2023).

However, the long-term impact of IR is limited by weak reinvestment in productive sectors such as manufacturing, technology, and infrastructure (Sharma, 2020). Overreliance on IR also exposes Nepal to host-country labor restrictions and global economic shocks. For instance, the upcoming U.S. 1% remittance tax (U.S. Congress, 2025) may reduce formal inflows and encourage informal channels. A more structured approach is needed to channel diaspora resources—financial and non-financial—into high-growth sectors and reduce dependence on foreign employment.

This paper addresses the central question: *How can Nepal expand its role in international business by strategically engaging its diaspora through diversified approaches beyond remittances?* It first explores the role of the diaspora in Nepal's international business development, then analyzes the prospects and challenges, presents international examples of successful diaspora engagement, identifies gaps, and offers actionable recommendations tailored to Nepal's context.

THE DIASPORA'S ROLE IN INTERNATIONAL BUSINESS

It is widely acknowledged that the diaspora contributes to nation-building in many ways, including IR, knowledge and skills, investment, innovation, nation branding, and socio-cultural change. Among these, international business development remains one of the most crucial means to drive a nation's economy. Diaspora members often establish ventures in their host country, country of origin, or across multiple international locations. Their international networks and business expertise place them in a unique position

to foster cross-border trade and enterprise. Their transnational identity equips them with the ability to navigate and manage cross-border capital flows effectively (Riddle & Brinkerhoff, 2011).

Diaspora members are now increasingly seen as assets (brain gain) rather than liabilities (brain drain), as migration is understood as a dynamic, circular process rather than a one-time event—marked by patterns of return and repeat migration. Even large multinational corporations frequently rely on diaspora linkages when entering new markets, benefiting from the bridging role diasporans play between countries (Elo, 2016; Riddle & Brinkerhoff, 2011). Their investment behaviors are often spread across geographies, contributing to the growth and internationalization of firms—a trend that has been increasingly acknowledged by emerging economies such as India, China, and Brazil (Elo, 2016). However, not all institutional environments are conducive to converting diaspora engagement into productive investment, as many still lack supportive and enabling policy frameworks (Riddle & Brinkerhoff, 2011). This limitation is particularly evident in Nepal, where, despite growing interest, diaspora engagement remains constrained by policy and institutional gaps.

PROSPECTS AND CHALLENGES OF NEPALI DIASPORA IN INTERNATIONAL BUSINESS FOR ECONOMIC GROWTH

In Nepal's context, the widespread distribution of the diaspora and their involvement as business owners, professionals, and investors present a rich resource for promoting international business. Their IR, investment, collaborative initiatives, networking, export promotion and branding, entrepreneurship, and knowledge transfer have helped to expand Nepal's international business and connect it to foreign markets (Bhattarai, 2024). Nepal seeks to attract foreign investment and internationalize domestic businesses through its diaspora. Though limited, recent diaspora-oriented initiatives are encouraging. The introduction of non-resident Nepali (NRN) citizenship, implementation of the Foreign Investment and Technology Transfer Act 2019, repatriation laws, and the decision to allow Nepali IT companies to expand abroad highlight Nepal's transformation. However, delays in implementing such initiatives have posed challenges. Diaspora-led entrepreneurship in fintech, hospitality, and IT is growing, but bureaucratic hurdles and complex investment restrictions limit its potential (Sharma, 2020). NRNs are keen to invest, yet policy inconsistencies discourage large-scale diaspora-led economic ventures (Asian Development Bank, 2024). While many send remittances back home, most hesitate to invest. For instance, a survey conducted in the United States by Joshi et al. (2024) found that 59% of Nepalis send money to Nepal, but only 13.2% invest in sectors like real estate, banking and finance, or hydroelectric and clean energy. This suggests that although there is evident interest, more must be done to encourage and attract diaspora investment. Still, successful Nepali diaspora-backed firms have shown that strategic investment can boost trade, tourism,

and finance (Bhattarai, 2024). Addressing these gaps requires learning from proven international approaches—summarized in [Table 1](#)—that inform Nepal's model.

HARNESSING DIASPORA POTENTIAL: ECONOMIC LESSONS FROM MULTIPLE REGIONS

Nepal can learn valuable lessons from the countries in [Table 1](#) that have successfully engaged their diaspora to boost international business and economic growth. This research selects examples particularly relevant for Nepal—from within South Asia and beyond the region. India and Bangladesh offer regional comparisons, while China is included for its economic influence and proximity. Ireland is noted for effective diaspora engagement, and El Salvador shares a similar GDP with Nepal. These cases offer insights Nepal can adopt to shift from IR-dependence to diaspora-driven trade, investment, and innovation.

Many countries have turned their diaspora into catalysts for international business and growth. India engages its global diaspora via Overseas Citizens of India, the Liberalized Remittance Scheme, and missions like Startup India and Digital India. These initiatives foster diaspora-driven investment and entrepreneurship. In 2024, India garnered over \$137.67 billion in IR (Migration Data Portal, 2025), while efforts such as Google's \$10 billion "Google for India Digitization Fund" exemplify how diaspora-associated networks stimulate large-scale investment.

China acknowledges the economic potential of its millions of diasporans, who contributed over \$31 billion in IR in 2024. Initiatives such as the Thousand Talents Plan offer incentives for returnees, including housing, research support, and preferential licensing. Diaspora professionals helped expand enterprises like Huawei and Alibaba, leveraging trust and cultural affinity (Elo, 2016; Riddle & Brinkerhoff, 2011). Remittances strengthened rural economies in provinces such as Guangdong and Fujian by financing infrastructure, education, and the development of small enterprises.

In 2024, Bangladesh received \$27.12 billion in IR, ranking it among the top 10 global beneficiaries (International Organization for Migration, 2024). Bangladesh introduced NRB Bonds, Savings Certificates, and the NRBs for expatriate investors to sustain its IR flow. Diaspora investment has boosted Dhaka's real estate and textile industries, primarily through second-generation Bangladeshis in the UK and Italy. Digital firms such as Pathao (which has expanded to Nepal), backed by diaspora IT experts and venture capitalists, highlight the diaspora's role in innovation and export-led growth.

Receiving \$0.57 billion in IR in 2023, Ireland shows how a small nation can leverage its extensive diaspora to enhance business and innovation (Government of Ireland, 2020). With millions of individuals of Irish heritage globally, Ireland has implemented dual citizenship, the global Irish Diaspora Loan Fund, and the Enterprise Ireland Diaspora Strategy to drive investment, tourism, and entrepreneurship. The Collison brothers (Stripe founders) exemplify

Table 1. Examples of How Countries Leverage Diaspora Potential

Country	Diaspora Engagement Mechanism	Key Economic Impact
India	Diaspora investment via remittance schemes, startup and digital missions, Overseas Citizen of India rights	\$137.67 billion in IR; diaspora-led IT and tech entrepreneurship; Google's \$10 billion investment in India
China	Diaspora-linked FDI, returnee programs like Thousand Talents, cultural and economic diplomacy	\$31.41 billion in IR; Huawei and Alibaba expanded through diaspora ties
Bangladesh	Banks targeted at Non-Resident Bangladeshis (NRBs), diaspora bonds, NRB Zones, Sharia-compliant products, and housing projects	\$27.12 billion in IR; diaspora investment in garments, tech, and real estate; Pathao's rise as a startup model
Republic of Ireland	Dual citizenship, diaspora loan funds, business expansion support, returnee programs	\$0.57 billion in IR; increase in FDI from Irish American firms; Stripe as a global brand; growth in heritage tourism and tech innovation
El Salvador	Diaspora investment program; diaspora bonds; Hometown Associations; El Salvador global talent initiative; Legislative Decree 885 for repatriation benefits; constitutional provision for dual citizenship for Salvadorans by birth.	\$8.49 billion in IR; 72 diaspora-led investments in 2024, mainly in tourism (27.8%), infrastructure (23.6%), commerce (18.1%), and emerging sectors like Bitcoin and technology (11.1%).

Note: Remittance figures sourced from Migration Data Portal (2025).

how diaspora entrepreneurs have elevated Ireland's global technology profile while maintaining strong ties to their homeland. Initiatives like Connect Ireland and Ireland Re-connect offer returnees avenues to invest, reside, and engage in Ireland's innovation-centric economy.

El Salvador has developed a multi-pronged diaspora engagement strategy, including remittance matching, diaspora bonds, dual citizenship, and targeted investment programs. Initiatives like the Diaspora Investment Program and El Salvador Global have attracted diaspora capital into key sectors such as tourism, infrastructure, and fintech, with 72 diaspora-led investments recorded in 2024 (LatAm FDI, 2025). At the same time, IR, contributing about a quarter of GDP, reflects the diaspora's dual role in investment and economic support.

Examples of impactful diaspora engagement programs have already been discussed in the preceding country cases. Together, they show that successful diaspora engagement requires more than emotional ties; it demands institutional frameworks, trust-building, meaningful incentives, and an enabling environment. These shared principles, despite differences in national approaches, highlight the importance of structured and policy-driven collaboration. Building on these lessons, [Figure 1](#) proposes a strategic model for Nepal.

STRATEGIC FRAMEWORK FOR DIASPORA ENGAGEMENT

This model outlines how Nepal should strategically utilize its diaspora to promote domestic and international business development. It begins with essential inputs, *Diaspora Capital & Networks*, which include IR, business expertise, networks, and skills acquired abroad. These inputs are supported by enabling *Policy Interventions*, such as converting IR into productive investments, cultivating partnerships between the diaspora and local enterprises, imple-

menting targeted investment schemes, mentoring startups, and establishing diaspora platforms for trade.

Together, these measures facilitate *Economic Outcomes*, including enhanced international trade, diaspora-driven FDI, job creation, improved balance of payments, and innovation-led diversification.

[Figure 1](#) presents this strategic framework, showing how diaspora engagement can evolve from IR dependency to a broader economic growth agenda. The following section applies this framework to Nepal's context through actionable recommendations.

To operationalize the framework, [Table 2](#) outlines practical steps aligned with each component of the model. Inputs are addressed through initiatives like diaspora trade hubs and investment incentives. Policy Interventions are reflected in programs for IR utilization, mentorship, and streamlined investment channels. These actions collectively aim to achieve the economic outcomes illustrated in the model—such as increased FDI, trade expansion, and innovation-driven growth.

This strategy draws from literature, policy documents, and successful international precedents to mobilize the Nepali diaspora as a genuine partner in economic development. The following recommendations outline how stakeholders can participate in its design and implementation.

The proposed strategy offers tangible benefits to key stakeholders. As outlined in [Figure 1](#), the government—through institutions such as NRB, the Ministry of Finance, and the Investment Board Nepal—can strengthen foreign reserves and reduce trade deficits by channeling IR into productive sectors. [Table 2](#) translates this strategic framework into actionable steps, enabling domestic and diaspora entrepreneurs to drive trade diversification, and embassies abroad to enhance economic diplomacy by mobilizing diaspora networks. Together, these stakeholders are positioned to help Nepal transition from IR reliance to investment-driven growth by designing inclusive policies that

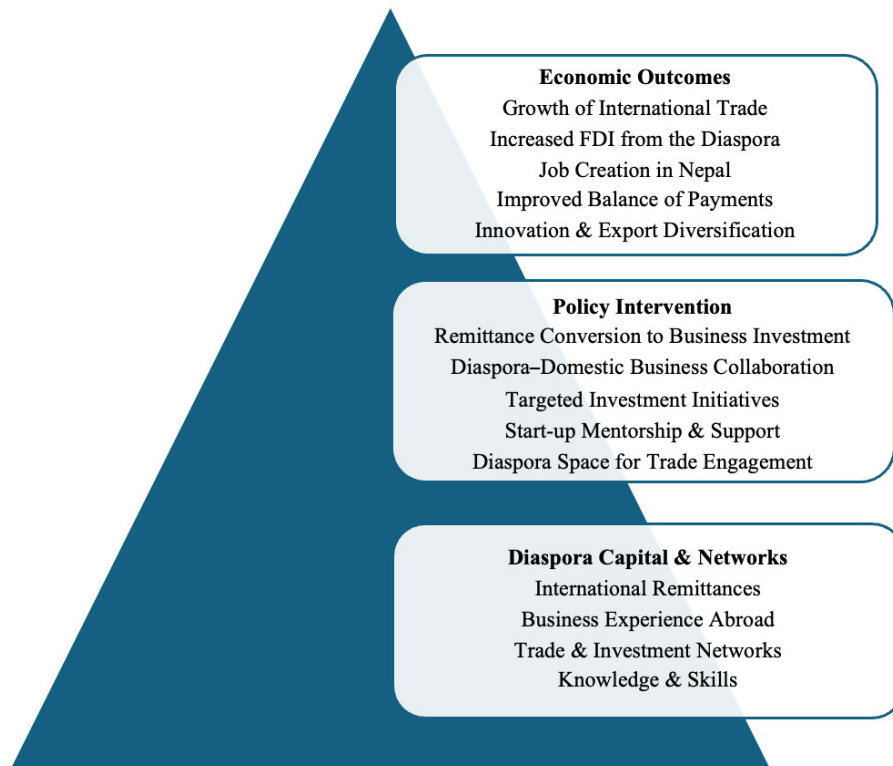


Figure 1. Diaspora-Focused International Business and Economic Growth Model

Table 2. Actionable Recommendations

Focus Area	Actionable Recommendation	Implementing Body
IR Utilization	Transform IR into productive investments through incentivization.	Policymakers/Government
Collaboration Promotion & Diaspora Trade Hub	Cultivate partnerships between the diaspora and local enterprises. Create a diaspora-domestic trade hub to bridge market gaps.	Government, Domestic and Diaspora Entrepreneurs
Targeted Investment Initiatives	Implement targeted diaspora investment options through incentives and diaspora recognition.	Policymakers/Government
Export Elevation	Engage diaspora in export promotion via diaspora-focused business centers (e.g., Nepal Town in foreign cities).	Government, Domestic and Diaspora Entrepreneurs, Embassies
Knowledge, Skills, Tech Exchange & Mentorship	Institutionalize a brain-gain initiative. Create diaspora-led incubators.	Government and Diaspora
Simplifying Entry for Diaspora Investors	Streamline investment channels, reduce bureaucracy, NRN citizenship, and offer tailored incentives.	Policymakers/Government

harness diaspora capital, skills, and networks for sustainable economic development.

STRATEGIC IMPLEMENTATION

Building on the framework in [Figure 1](#), this section analyzes how Nepal can operationalize diaspora capital and networks through targeted policy interventions to achieve tangible economic outcomes. While the model provides a strategic vision, its success depends on institutional capacity, stakeholder coordination, and diaspora trust.

The first domain, *Diaspora Capital & Networks*, includes financial and human capital such as IR, business expertise, and global experience. Recommendations like converting IR into productive investments and institutionalizing brain gain efforts directly leverage these assets. Mentorship and diaspora-led incubators further support knowledge transfer and entrepreneurial development.

The second domain, *Policy Interventions*, involves creating an enabling environment through incentives, recognition of NRN citizenship, and streamlined entry for diaspora investors. These measures aim to eliminate bureaucratic obstacles and build confidence. Initiatives like dias-

pore—local business centers also provide structured platforms for collaboration and market access.

Together, these efforts contribute to *Economic Outcomes* such as increased FDI, export growth, and innovation-led diversification. Export-oriented business hubs (e.g., “Nepal Towns” overseas) and diaspora-supported trade initiatives strengthen international trade and improve the balance of payments. Aligning each recommendation with this three-tier framework ensures coherence and practical relevance.

CONCLUSION

Nepal's diaspora offers more than IR—it holds untapped potential to drive international business and economic growth. This article shows how diaspora capital, networks, and expertise can be mobilized through targeted policy interventions to achieve outcomes such as increased FDI, export expansion, and innovation-led diversification.

For policymakers, this means converting remittances into productive investments, simplifying entry for diaspora investors, and fostering diaspora–local partnerships. For entrepreneurs, it highlights opportunities for collaboration through trade hubs and mentorship platforms. For educators and researchers, it presents a framework to explore diaspora-led development in low-resource economies.

As global remittance policies shift—such as the U.S. remittance tax—Nepal must reduce its reliance on financial flows alone. By fostering structured, investment-oriented collaboration, Nepal can transform its diaspora into a long-term partner in international business.

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