



RESEARCH ARTICLE

ANALYSIS OF REMITTANCE INFLOW AND ITS UTILIZATION IN DHANUSHA DISTRICT

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ABSTRACT

Remittances have become an integral part of the Nepalese economy because they play an important role in raising household well-being and aggregate economic growth of the country. Remittances at the household level alleviate poverty, improve standard of living, and offer funds for increased education opportunities. The study here aims at Dhalkewar, one of the wards of the Municipality in the District of Dhanusha, aiming at assessing remittance effects as well as remittance use toward improved standards of living within families. Questionnaire field surveys were used in conducting the research as well as securing the data collected from secondary sources that corroborate findings. Data were collected through interviews from among the following key informants: teachers, ward secretaries, community leaders, and businessmen. The sample of 120 households was drawn by random selection from a list of 511 remittance-sending households under proportionate sampling procedures for all nine wards of the municipality. Findings of the study highlight the reality that remittances contribute a significant volume of foreign exchange and are solely responsible for maintaining the remaining dependents from migrant workers' families. Although they function very well as a tool for poverty reduction, the majority of migrant workers take a loan to finance their migration and spend a high percentage of earnings on loan repayment. This research highlights the need for schemes of financial planning and investment incentives so that remittances get utilized effectively and contribute towards economic viability in the long term and reduced dependence on overseas work.

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INTRODUCTION

Since the late 1990s, concern with the economic flows that migrants send back to their countries of origin has increased. This is mainly because the amount of official remittances to low-income countries has been increasing and could be a source of economic development for the recipient areas. Nepal's remittance inflows increased by 6.12% between mid-May and mid-June 2022, bolstering economic stability, sustaining local communities, and promoting long-term national recovery and resilience. Remittances totaling NPR 875 billion were realized in FY 2019/20, with a share of 23.23 percent in the Gross Domestic Product (NRB, 2020). This is testifying to Nepal's heavy reliance on remittances, which represent over a quarter of its country's overall GDP. A high poverty rate is preventing economic growth because, according to Nepal Rastra Bank (2020), the households are not able to save and invest their earnings. The Central Bureau of Statistics

(CBS) surveys conducted in 2011/12 and 2017/18 found that the poverty rate in Nepal fell from 42 percent to 31 percent. However, disparities in income and regions keep mounting. For example, in 2020 life expectancy was 69.93 years in cities like Kathmandu, but only 44.07 years in rural regions like Dhanusha district. Such differences are the culprits for long-standing socio-economic issues and conflicts. Remittances are a significant external finance source in developing countries, providing a stable and secure alternative to official development assistance and foreign direct investment, particularly in countries facing economic and political instability. Micro-level remittances support livelihoods through providing an alternative income source to poor and excluded groups. They also play an important role in poverty alleviation, benefiting not only remittance-receiving families but also entire communities. Kandel (2020) explored income inequality in Nepal using primary data from sample households. His research aimed to examine the relationship between poverty and income inequality and measure the extent of income

distribution disparities. Similarly, Nepal Rastra Bank (2020) pointed out that the poverty rate of a high level limits the growth of the economy because families cannot save or invest. The CBS and Nepal Living Standard Survey showed that Nepal's poverty rate fell from 42percent in 2000/01 to 31percent in 2011/12. However, income inequality, both in terms of income and geographical location, continues to rise. Kuznets (1955), in his article Economic Growth and Income Inequality, studied the relationship between economic growth and inequality. According to him, income inequality increases with economic development but becomes stable with additional growth. Comparing the developed countries like the USA, UK, and Germany with developing countries like India and Sri Lanka, he found that income inequality was higher in underdeveloped nations. He predicted that inequality rises first and subsequently falls with the increasing stages of development. According to Jhingan (1997) focuses the Economics of Development and Planning, discussed income inequality and economic growth.

He argued that inequality harms economic growth, particularly in the developing world. Poverty, low level of economic development, wealth concentration, tax evasion, and use of capital-intensive technologies are some of the reasons for income inequalities. He suggested that policymakers should attempt to reduce income and wealth inequalities through the imposition of redistributive policies and increased socialization of the factors of production. Gupta (1977) provided an economic survey of Indonesia, looking at its prospects for growth and the impact of development policies on income distribution and employment. His study explored the trade-offs between economic growth, equality, employment, and poverty, using both primary and secondary data, including research from a World Bank mission to Indonesia. Dalton (1949), in his book *Some Aspects of Income Inequality in Modern Communities*, divided his analysis into four parts. The first chapter examined the ethical aspects of income inequality concerning justice and welfare. The second part focused on income distribution based on factors of production rather than individual income. The final section explored the division of income among individuals. The book concluded with an appendix on measurement methods of income inequality, which made the book a significant contribution to the subject. The review determines the central place of remittances in the Nepalese economy, their impact on poverty and inequality, and the theoretical frameworks to economic growth and income distribution. Despite the economic stability brought by remittances, there is still a need to curb income and regional inequalities for sustainable development.

Research objective: To examine the inflow of remittances in Dhanusha District and analyze its utilization patterns across various sectors, focusing on economic development, household welfare, and local infrastructure improvements.

METHODS AND MATERIALS

This study employs a quantitative research approach using a descriptive research design to analyze the role and impact of remittance income in Mithila Municipality, Dhanusha District. A household survey was conducted to obtain quantitative data on population demographics, sex, education, landholding size, and economic conditions. This approach allowed the researcher to familiarize with the community, facilitating the interview process (Creswell, 2014).

Data Collection Methods

Primary Data Collection: Primary data was collected through household surveys, direct observation, and structured questionnaires. The researcher applied the observation method to obtain firsthand information on housing conditions, dress, and feeding practices of the respondents. This method helped in understanding the socio-economic environment of the study area and establishing rapport with local residents (Bryman, 2016). Average per head inflow = Total remittance per year. A total of 1164 households were recorded in the study area, with a population of 6755 individuals. Among them, 2999 individuals were categorized as the working-age population (18 to 60 years). The study focused on 511 households receiving remittance income, from which a sample of 120 households was selected using a proportionate random sampling method, accounting for nearly 20percent of the total remittance-receiving households. Sample size of respondent's household of Mithila Municipality.

Table 1. Sample population

Ward No.	Total Number of Households	Number of remittances receiving households	Number of sampled households
1	184	37	9
2	230	120	26
3	38	12	5
4	75	31	8
5	98	33	9
6	109	32	8
7	232	142	30
8	87	45	11
9	111	59	14
Total	1164	511	120

Source: VDC profile of municipality

Secondary Data Collection: In addition to primary data, relevant secondary data were obtained from published and unpublished sources. This included government reports, research articles, and statistical publications related to remittance income and socio-economic factors in Nepal (Kothari, 2004).

Data Processing and Analysis: The collected data was classified, tabulated, and analyzed using simple statistical tools, including frequency distributions, mean calculations, and percentage analysis. The data processing was conducted with the help of a scientific calculator and computer software. A comparative approach was applied to evaluate the efficiency of remittance income in the study area. The study also utilized post-call and pre-recall techniques to assess the respondents' financial changes over time.

FINDINGS AND DISCUSSION

Findings: The study analyzed 1,164 households, comprising a total population of 6,755 individuals. Among them, 2,999 individuals (aged between 18 to 60 years) were classified as the working-age population. Out of the total households, 511 households were identified as recipients of remittance income. A random sample of 120 households was selected using a proportionate sampling method, representing nearly 20percent of the remittance-receiving households. The data analysis utilized simple statistical tools such as frequency distributions, means, and percentages to assess the economic impact of remittance income. The research design incorporated post-call

and pre-recall methods to evaluate financial changes over time. Primary data was collected through field surveys, supplemented with secondary sources, both published and unpublished. Data processing was conducted using scientific calculators and computer software to classify, tabulate, and analyze findings efficiently. The study found that remittance income significantly improved household living conditions, including housing, education, and food security. A comparative analysis showed that remittance-receiving households demonstrated higher economic stability compared to non-receiving households.

Educational Status of Foreign Migrant Workers: The study highlights that a high proportion of foreign migrant workers have low levels of education. More than 50percent of migrant workers have an education level of SLC or below, reflecting fewer skills and qualifications before migration.

Table 2: Educational Status of Foreign Migrant Workers

Education Background	No. of Respondents	Percentage (%)
Under S.L.C.	40	33.0
S.L.C.	48	40.0
Intermediate	24	20.0
Bachelor or above	8	7.0
Total	120	100

Use of Remittances Based on Marital Status: The expenditure patterns of married and unmarried workers' households in productive and unproductive sectors show notable differences. Married workers allocate 48percent of their remittances to productive sectors, whereas unmarried workers spend more on unproductive sectors such as durable consumer goods (40%) and clothing (20%).

**Table 3. Use of Remittances Based on Marital Status
Use of Remittances in Productive Sectors**

Use of Remittances	% of Married	% of Unmarried
Education	42.22	10.00
Agriculture	13.33	6.66
Business	11.11	16.66
Bank Deposits	22.00	16.66
Others	11.11	50.00
Total	100	100

Source: Field Survey, 2023

Use of Remittances in Unproductive Sectors: The following use of remittances in unproductive Sectors is given below of the study area:

Table 4. Use of Remittances Based on Marital Status

Use of Remittances	% of Married	% of Unmarried
Clothing	10.00	20.00
Loan Repayment	10.00	5.00
Real Estate	12.50	5.00
Cultural Expenses	20.00	10.00
Durable Consumer Goods	10.00	35.00
Food Consumption	35.00	10.00
Total	100	100

Source: Field Survey 2023

DISCUSSION

The finding indicates that the receipt of remittances has a great impact on the economic well-being of receiving households, greatly improving their standard of living, education, and

ability to save. Households that receive remittances are likely to enjoy better economic status, as the receipts address basic needs and enable upgrading possibilities. The proportion of remittance-receiving households suggests that labor migration has become a significant economic survival method in the study area. However, while remittance income offers a short-term fix of stability and relief, its long-term economic viability is under scrutiny. While remittance receipts can improve the household level situation, they must not necessarily lead to local employment generation and economic growth that is sustainable (Seddon, 2005). Over-reliance on remittances can induce dependency, deterring productive investment and undermining efforts at economic self-sufficiency. The study also discloses disparities in income distribution and financial management practices among remittance-receiving families. While some families invest remittance receipts in land, business, and education, others prioritize daily consumption over investments in the long term. The difference highlights the necessity for financial planning and literacy that would lead to greater productive use of remittance income (Julius & Bawane, 2011). The findings support evidence by Julius and Bawane (2011), who pointed out that poverty restricts access to resources that enable learning. In the same perspective, Engle and Black (2008) pointed out that economic pressure has an adverse effect on motivation and academic success. Cooper et al. (2010) also pointed out that a conducive home environment is essential in promoting learning outcomes, which may lack in remittance-receiving households. Furthermore, decreased receipts of remittance have been determined to limit social and technological interaction. Poorer households that obtain remittances lack access to smart technology, and as a result, they are unable to utilize educational content and information apps. This is affirmed by Stelitano et al. (2020), whose data confirmed that students who were poor in the USA were disadvantaged due to poor internet connectivity. Additionally, economic strain within low-remittance homes is also likely to lead to higher disciplinary issues, including physical punishment of children, which may be harmful to academic performance in school. This finding is in line with Khan et al. (2014), who confirmed that too much discipline can foster negative attitudes towards school and harm academic success.

CONCLUSION

Remittance income is a major impetus to the socio-economic growth of Mithila Municipality since it is one of the major foreign exchange earners for Nepal. Remittances are a means of survival for most families in the municipality since they receive much-needed financial support that not only makes families economically secure but also enables them to access quality education, health, and a better standard of living. This remittance flow has now become a part of daily life, supporting the livelihood of numerous people who rely on it for their survival. However, the remittance-sending migrant workers are typically economically backward groups, and the majority of them are under compulsion to take loans in order to fund their migration. Consequently, a lot of the earnings that they make abroad go towards servicing these debts, lowering the amount that can be invested in more productive activities to improve longer-term economic performance. While remittances bring instant financial relief and poverty alleviation, they do not necessarily generate employment at home or industrial progress, which makes the sustainability of

such an economic policy in the longer run doubtful. In the absence of commensurate job generation and domestic economic expansion, excessive dependence on remittance earnings has the potential to stimulate vulnerabilities, rendering households and communities susceptible to financial insecurity in the future. Imbalances between expenditure patterns of remittance-receiving households also prompt the need for financial literacy campaigns. Such programs can encourage better money management and encourage families to invest their remittance receipts in a more positive way in business, education, and savings. To make remittance income productive, policymakers must introduce strategic interventions such as money investment training, financial planning programs, and incentives for productive money investment. These interventions would guide a shift in family behavior from spending-oriented consumption to investment-oriented approaches, which would bring economic growth in the long run. It is also necessary to improve the provision and accessibility of overseas employment information centers, particularly in rural regions. They can provide potential migrant workers with vital information about migration possibilities, legal rights, and associated risks so that they are in a position to make fully informed decisions that eventually lead to more secure economic rewards. Through these targeted interventions, remittance income can be used more productively not only to finance the households' current consumption requirements but also for long-term economic development and sustainable growth, resulting in a strong and less dependent regional economy.

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