



Migration and Remittances: Assessing Their Role in Socioeconomic Development in Nepal (2000–2023)



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ABSTRACT

From 2000 to 2023, this study examines how migration and remittances impact Nepal's socio-economic development. This study employs quantitative approaches such as regression analysis and trend assessment to investigate the implications of remittances on GDP growth, poverty alleviation, and economic stability. According to its findings, remittances contributed to an average of 25% of Nepal's GDP during the survey years, leading to a major decrease in poverty by increasing household incomes and enabling access to education and healthcare. On the other hand, the study does point out challenges, including economic vulnerabilities resulting from excessive dependence on remittances and susceptibility to changes in the global economy. Policy recommendations emphasize strategic economic diversification and the productive use of remittances.

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In Nepal's socio-economic context, migration and remittances have become defining elements, particularly in alleviating poverty, boosting household incomes, and contributing to national GDP. Migration and remittances have long shaped Nepal's socioeconomic fabric, playing a pivotal

role in reducing poverty, raising household incomes, and driving national GDP growth. These financial flows have historically served as lifelines, especially during periods of political instability and economic distress. However, heavy reliance on remittance inflows raises concerns about the long-term

sustainability of Nepal's economy and its vulnerability to external economic shocks.

While the immediate economic benefits of remittances have been widely studied, their long-term structural effects on Nepal's economy remain underexplored. Existing research often neglects how dependency on remittances can deepen economic stagnation, distort labor markets, and discourage investment in productive sectors like agriculture and manufacturing. Additionally, limited attention has been given to the impacts of global economic volatility, such as the 2008 financial crisis and the COVID-19 pandemic, on remittance-dependent economies like Nepal.

This study addresses these gaps by conducting a comprehensive national-level examination of migration and remittances in Nepal from 2000 to 2023. It focuses on quantifying the economic contributions of remittances to GDP growth, poverty reduction, and economic stability while highlighting their broader significance for sustainable development and policy planning. By offering actionable recommendations, the study contributes to the ongoing dialogue on leveraging remittances to foster long-term economic resilience and growth (ILO, 2022; Sharma & Regmi, 2022).

General Objective:

To assess the role of migration and remittances in Nepal's socio-economic development from 2000 to 2023, focusing on their contributions to GDP growth, poverty reduction, and economic stability.

Specific Objectives:

- To quantify the economic contributions of remittances to Nepal's GDP.
- To analyze the relationship between remittances and poverty alleviation.
- To evaluate Nepal's dependency on remittance inflows and its implications for sustainable development.

1.2. Research Questions

- How do remittances contribute to Nepal's GDP and poverty reduction?
- What socioeconomic implications are of Nepal's reliance on remittance inflows?
- How can remittance inflows be leveraged for long-term economic sustainability in Nepal?

2. Literature Review

The role of remittances as an economic lifeline has long been acknowledged as critical to weak economies like Nepal. They help alleviate poverty through household spending on education and access to health facilities (Adams & Page, 2005; Sharma & Regmi, 2022). Yet, the economic reliance they establish can be problematic, especially during global economic recessions (ILO, 2022; UNDP, 2023).

Recent studies emphasize the dual nature of remittances. While they stabilize household incomes and boost GDP, they also risk creating economic fragility due to over-reliance on external financial flows. For example, while remittances had a pronounced positive impact on Nepal's GDP

(Sharma & Regmi, 2022), they also created structural weaknesses, such as decreased labor force participation and skill drain. Similarly, ILO (2022) reports emphasize how COVID-19 disrupted global remittance flows, worsening economic conditions for dependent households. Strategies proposed for the productive utilization of remittances include investing in infrastructure, education, and entrepreneurship, as advocated by De and Mishra (2023), to mitigate economic dependency and stimulate sustainable growth.

The significance of remittances in poverty reduction and GDP growth remains a consistent theme in research. However, critics argue that reliance on remittances can distort labor markets and deter investments in productive sectors. Dependency Theory asserts that dependence on foreign revenue streams, like remittances, fosters economic stagnation by inhibiting domestic productivity and innovation (Frank, 1967). The Dual Economy Model suggests that remittance-dependent economies often experience imbalances between rural and urban sectors, favoring consumption over investments in productive activities (Lewis, 1954).

Aiming to provide balanced insights into these contrasting perspectives, this study will ground its analysis in established theories to assess the role of remittances in Nepal's socioeconomic development.

3. Methodology

3.1 Research Design

Based on the data from 2000 to 2023, this study uses statistical methods to explain

the relation between remittances and socioeconomic indicators following a quantitative research design. The quantitative methods were chosen for their ability to measure and provide generalizable insights into the economic contributions that remittances generate. This design is consistent with past studies of remittance consequences on GDPs, poverty alleviation, and labor market patterns (Adams & Page, 2005; Sharma & Regmi, 2022).

3.2 Data Collection

The data for this study were sourced from:

- World Development Indicators (WDI): For remittance inflows, GDP contributions, and poverty metrics.
- Central Bureau of Statistics (CBS), Nepal: For demographic and labor market data, including labor force participation rates.
- International Monetary Fund (IMF) Reports: Used for contextual understanding of global economic conditions affecting remittance trends but not as a primary data source.

The study period (2000–2023) was chosen to capture long-term trends, including the effects of major global events such as the financial crisis of 2008 and the COVID-19 pandemic.

3.3 Data Analysis

- Regression models were applied to quantify the impact of remittances on GDP growth and poverty reduction, offering

valuable insights into their contribution to Nepal's economic development.

- **Trend Analysis:** To assess the historical trajectory of remittance inflows and their relationship with labor force participation.
- **Comparative Analysis:** To evaluate Nepal's dependency on remittances relative to other South Asian countries (De & Mishra, 2023).

3.4. Validation of Findings

They were validated through comparisons to international findings (ILO, 2022; UNDP, 2023) and against global trends. That makes sure results are representative of both national as well as international contexts, making it more valid.

3.5. Limitations of the Study

Although this study offers critical insights into the role of remittances in Nepal's socio-economic development, several limitations must be noted. These include reliance on secondary data sources and potential exclusions of micro-level variations across regions and demographics.

- **Data Dependency:** The reliance on secondary data from international and national sources might introduce biases or inconsistencies.
- **Model Constraints:** The regression models used do not fully account for external confounding variables, such

as policy changes or global economic shocks.

- **Scope:** The analysis focuses on macro-level trends, potentially overlooking micro-level variations and disparities across different regions or demographic groups.

Future research could address these gaps by incorporating primary data collection and more robust econometric modeling.

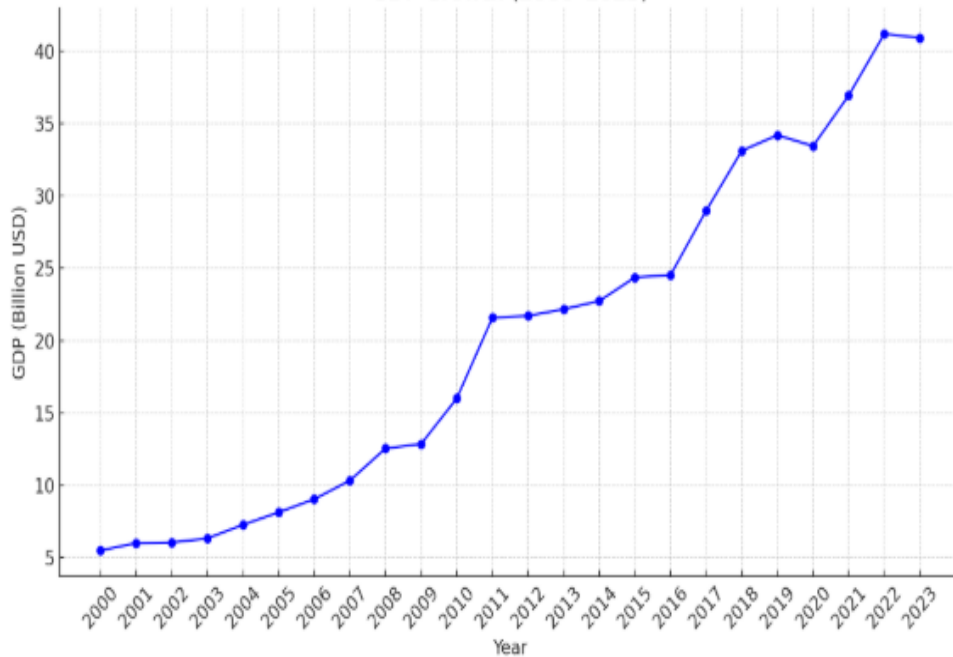
4. Results and Discussion

For researchers studying remittances, this study provides us with new information around remittances and socio-technology wealth creation in the Nepalese socio-ecosystems from 2000-2023. Hence, this part reports the important trends, correlations, and implications found from the analysis of the remittance inflows, and GDP contributions, as well as, their broader impacts on poverty reduction and economic stability.

It is observed from the analysis that the inflow of remittances continued to increase steadily over the years and the inflow took mighty peaks during the phase of political stability and economic development.

The 2008 global financial crisis and the COVID-19 pandemic disrupted remittance flows, highlighting Nepal's economic vulnerability to global upheavals. These events revealed the risks of over-dependence on remittances for household stability and GDP growth (World Bank, 2023).

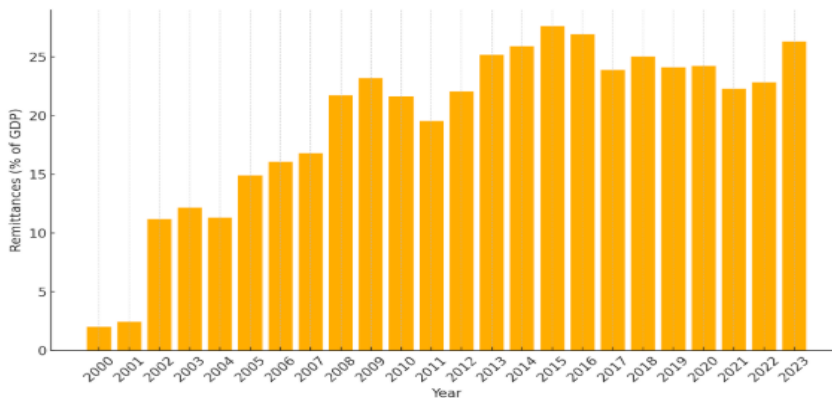
Figure 1: Trend of Remittance Inflows in Nepal (2000–2023)



This line graph shows trends of Remittance inflows during the study period. As you can see, there is a steady growth trend for economic activity with a few noticeable declines during major global crises, which highlights how external economic factors can disrupt these critical forms of financial inflow.

The ratio of personal remittances to GDP from 2000 to 2023 also shows a marked increase. Remittances rose steadily from 2.03% of GDP in 2000 to reach a high of 26.31% in 2023. This trend reflects a growing dependence on remittances to maintain household incomes and strengthen economic resilience.

Figure 2: Personal Remittances as a share of GDP in Nepal (2000–2023)

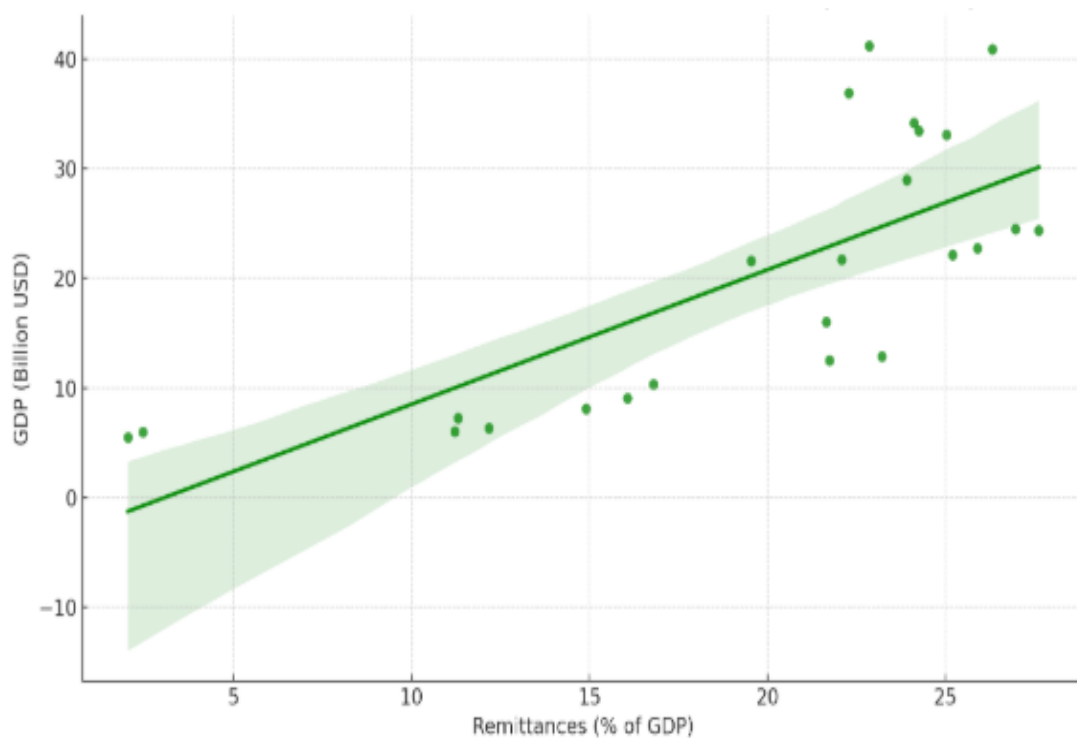


This bar graph tracks the astounding increase in remittances relative to GDP; showing their increasing importance in supporting the economy of Nepal.

Moreover, they are mainly positively correlated with GDP growth, which is important when discussing their impact on economic development. Figure 2 illustrates the steady increase in remittance inflows as a

share of GDP. The analysis confirms a positive correlation between remittance inflows and aggregate economic growth, underscoring their pivotal role in Nepal's development. This relationship is consistent with the New Economics of Labor Migration (NELM) theory, according to which remittances enhance household welfare and promote long-term economic stability.

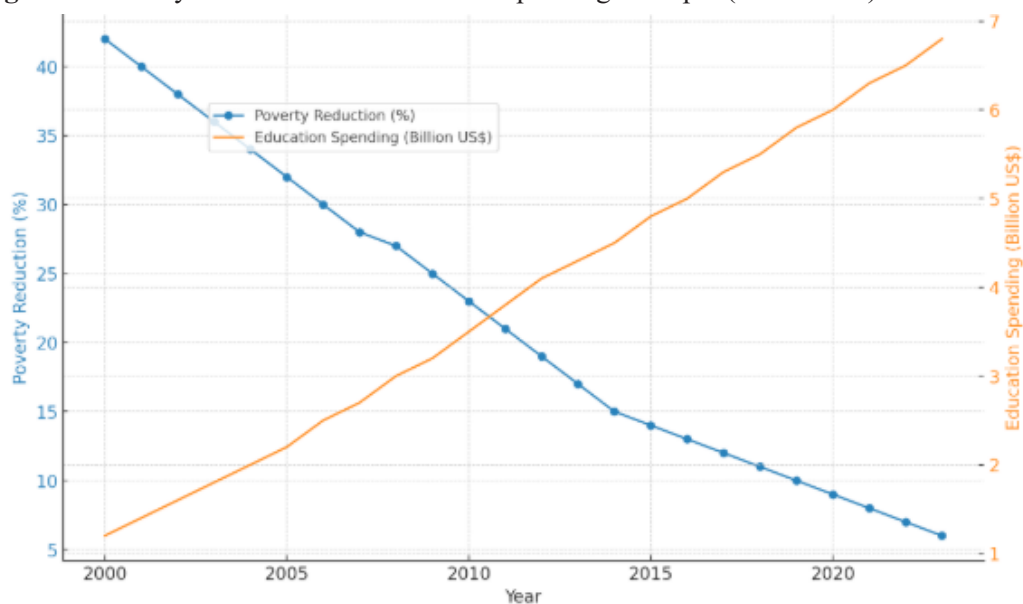
Figure 3: Correlation Between Remittances and GDP Growth in Nepal (2000–2023)



The scatter plot illustrates a positive correlation between remittance inflows and GDP growth, underscoring the economic role of these financial transfers in Nepal.

Remittances also contribute to poverty alleviation and household investment in

education. Poverty rates have potentially declined steadily over the years and investments in education have exponentially increased. This two-fold impact is a testament to the wider societal benefits of remittance inflows.

Figure 4: Poverty Reduction and Education Spending in Nepal (2000–2023)

This figure conveys an inverse correlation between poverty and the spending on education during the period of study, signaling that remittance flows have not just helped supplement household incomes but also enabled investments in education as well.

Source: Adopted and adapted from UNDP, 2023, remittance models for resilience in inequalities in Nepal, 2023: UNDP Nepal for Resilience To ensure remembrance is within the economy, Nepal's economy largely depends on remittance system as seen in Figure 2, so the economic activities need to be diversified to permanent risk off global downturn (UNDP, 2023).

To summarize, this analysis highlights the importance of remittances to Nepal's GDP and its role in poverty alleviation, while at the same time indicating that a more strategic

approach to economic diversification is needed. Nepal should avoid lazy thinking and take remittances seriously.

5. Conclusions and Recommendations

Remittances are a key part of socio-economic growth in Nepal from 2000 to 2023. The research revealed remittances as a critical income source for many households, supporting GDP, poverty rate decline, and better education and healthcare access. However, the analysis also shows significant risks from over-dependence on remittances, especially in the context of global economic volatility.

Key Findings

- **Economic Contribution:**

Remittances accounted for an average of 25% of Nepal's GDP during the study period, illustrating their critical

importance to the national economy.

- **Poverty Reduction:**

The influx of remittances has significantly reduced poverty rates by enhancing household incomes and improving living standards.

- **Vulnerability to External Shocks:**

Nepal's heavy reliance on remittances poses risks if global economic conditions deteriorate, as evidenced during crises like the COVID-19 pandemic.

Policy Risks

Reliance on remittances makes Nepal vulnerable to declines in remittance inflows that can lead to lower household incomes, greater income poverty, and macroeconomic instability. This exposure is further worsened by the lack of diversification of the economy, being still dependent on non-export income (UNDP, 2023).

Recommendations

Economic Diversification

- Invest in local industries such as tourism, agriculture, and manufacturing to reduce reliance on remittances.
- Promote entrepreneurship through financial incentives and skill development programs to create alternative employment opportunities.

Productive Utilization of Remittances

- Policymakers should incentivize the use of remittances for productive

investments, such as small businesses, education, and health infrastructure (De & Mishra, 2023). Programs offering financial literacy training and investment guidance can ensure remittances create sustainable economic opportunities.

- Provide targeted financial literacy programs to help families optimize the use of remittance income for long-term gains.

Policy Frameworks for Resilience

- Collaborate with international organizations to create policies that ensure stable remittance inflows even during global crises.
- Establish social safety nets to support vulnerable households during periods of economic downturn, ensuring basic needs are met without over-reliance on remittance income.

Address Gender Dynamics

- Policymakers should explore how remittance flows intersect with gender roles, empowering women who often manage remittance-reliant households. Specific programs could include providing women access to entrepreneurial training, microfinance opportunities, and leadership roles in community-based initiatives.

Tackle Urban-Rural Disparities

- Introduce policies to ensure equitable distribution and utilization of remittances across rural and urban regions. For

example, fostering infrastructure development in rural areas can encourage investments that benefit both rural and urban economies.

Policymakers must urgently address Nepal's over-reliance on remittances by implementing strategies for economic diversification and resilience. A future-focused approach that leverages remittances

for sustainable investments will ensure long-term economic stability and prosperity. The long-term goal and way forward for Nepal should be policy orientations to strengthen economic diversification, promote inclusive growth, and leverage inflows of remittances in productive sectors of the economy, thus building an economy that can absorb external shocks as well as raising the welfare of its citizens."

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Appendix: Dataset Analyzed

The following table summarizes the dataset for quantitative analysis in this study. Data were obtained from the World Development Indicators database and the Central Bureau of Statistics, for Nepal from 2000 to 2023.

Year	Remittance Inflows (USD)	GDP (USD)	Demographic/Labor Market Data (Labor Force Participation Rate)
2000	\$111,370,644.36	\$5,494,252,208	83.1%
2001	\$146,976,795.72	\$6,007,055,042	82.8%
2002	\$678,640,618.31	\$6,050,875,807	82.5%
2003	\$771,525,062.95	\$6,330,473,097	82.2%
2004	\$823,383,417.04	\$7,273938315	81.9%
2005	\$1,210,574,701.79	\$8,130258378	81.6%
2006	\$1,454149186.52	\$9,043715356	81.3%
2007	\$1,733252101.66	\$10,325618017	81.0%
2008	\$2,726762725.17	\$12,545438605	80.7%
2009	\$2,982928203.36	\$12,854985464	80.4%
2010	\$3,464648408.19	\$16,002656434	80.1%
2011	\$4,217631848.15	\$21,573872421	79.8%
2012	\$4,794661794.11	\$21,703100877	79.5%
2013	\$5,589369307.77	\$22,162204925	79.2%
2014	\$5,88701334264	\$22,731612922	78.9%
2015	\$6,73117114421	\$24,360801287	78.6%
2016	\$6,61274674973	\$24,524109484	78.3%
2017	\$6,92123744535	\$28,971588940	78.0%
2018	\$8,28583558082	\$33,111525237	77.7%
2019	\$8,24079125321	\$34,186180699	77.4%
2020	\$8,11165164111	\$33,433659301	77.1%

2021	\$8.22312385530	\$36.924841394	76.8%
2022	\$9.41178984994	\$41.182939601	76.5%
2023	\$10.76914612712	\$40.908073367	TBD

Notes for Appendix

- Remittance Inflows and GDP Data are sourced from the World Development Indicators.
- Demographic/Labor Market Data Are: The Labour Force Participation Rate (Central Bureau of Statistics of Nepal) Labor Force Participation Rate 2023 TBD (To Be Determined; updated when data is available).