

EXPATS & DIASPORA / EXPATS & DIASPORA

Where Does Nepal's Remittance Money Actually Go?

Nepal received NPR 2.363 trillion in remittances in FY2025/26. Follow the money through household spending, debt, education, housing, savings and investment.

OCTOBER 3, 2026



Where Does Nepal's Remittance Money Actually Go?

Nepal received NPR 2.363 trillion in remittances in FY2025/26. Follow the money through household spending, debt, education, housing, savings and investment.

By Nepal Digest - October 3, 2026 - Nepal

Every month, money earned in Doha, Dubai, Riyadh, Kuala Lumpur, Sydney, London, Tokyo and hundreds of other places arrives in Nepali households. It pays a school bill in Chitwan, clears a recruitment loan in Dhanusha, buys groceries in Pokhara, finances a concrete house in Jhapa and sits in a bank account in Kathmandu.

The scale is extraordinary. Nepal Rastra Bank reports **NPR 2.363 trillion** in remittance inflows in fiscal year 2025/26—equivalent to **35.8 percent of GDP**. In the first month of 2026/27 alone, another NPR 215 billion arrived through recorded channels.

But the number raises a harder question: **where does all that money actually go?**

The popular answer is often dismissive: Nepal “wastes” remittances on consumption. The evidence is more complicated. Consumption includes food, rent, medicine and electricity. Education and healthcare build human capital. Debt repayment can be the first step toward financial stability. Housing is both consumption and an asset. And money sitting in a bank can finance investment elsewhere even if the receiving household never opens a factory.

The real issue is not whether Nepalis spend remittances. It is what those expenditures achieve—and why such a huge financial flow has transformed household welfare more visibly than domestic productive capacity.

Start with the household, not the macroeconomy

A migrant does not normally send money home because Nepal needs more capital formation. Money is sent because a family needs it.

That distinction matters. Research published by Nepal Rastra Bank describes remittances in Nepal primarily as **compensatory transfers to recipient households**, finding a positive relationship with GDP but a negative effect on private gross fixed

capital formation in the model studied. In other words, remittances have been extremely important economically without automatically becoming business investment.

This is rational from the household's perspective. A family carrying expensive migration debt will repay the lender before considering shares or machinery. A household with insecure food supply will improve its diet before opening a business. Parents who migrated partly to improve their children's prospects may consider school fees the most productive use of the money they earn.

First destination: everyday consumption

Consumption is where much of the remittance story begins.

World Bank analysis using Nepal Living Standards Survey 2022/23 data found that a Nepali household, on average, was likely to receive the equivalent of more than **20 percent of its expenditure** from remittances in 2023. The contribution ranged from about 17 percent among the poorest expenditure quintile to nearly 25 percent among the richest.

That money supports ordinary life: rice, vegetables, cooking gas, clothing, mobile bills, transport, rent and household goods.

Calling all of this “unproductive consumption” misses the welfare effect. The same World Bank work found household consumption

per person increased by roughly **66 percent between 2011 and 2023**, with particularly strong gains among lower-income households.

A refrigerator does not increase GDP capacity in the way a factory does, but reliable food storage improves a household's life. Better nutrition is not financial investment, but it matters. The distinction between consumption and development is not always as clean as economic shorthand suggests.

Second destination: the debt that made migration possible

Before remittance money can create wealth, it often has to repair the household balance sheet.

International migration from Nepal can require recruitment fees, travel costs, documentation and other expenses. Many workers finance those costs with borrowing. World Bank research identifies loan repayment as the most commonly cited use of remittances after daily consumption.

Consider a worker whose family borrowed NPR 500,000 to finance migration. If the worker sends NPR 60,000 a month and the household allocates NPR 25,000 to debt, it takes 20 months to repay the principal even before interest is considered.

During that period, nearly 42 percent of the monthly remittance in this simplified example is not creating a new asset. It is paying for the migration that generated the remittance in the first place.

This is why migration costs matter enormously. Lower recruitment costs do not merely protect workers; they allow remittance income to begin building household wealth sooner.

Education: consumption on paper, investment in a person

Education exposes the weakness of simple labels.

A school fee is classified as household expenditure. Economically, however, a family may see it as a long-term investment in earning capacity.

World Bank evidence links remittance-receiving households with greater investment in education and healthcare. This is one of the most consequential ways migration changes Nepal: income earned by one generation abroad can finance the skills of the next.

The return is uncertain. A private-school bill does not guarantee a better career. Studying abroad can create another round of migration rather than domestic productivity. But treating education spending as equivalent to discretionary consumption ignores its potential effect on human capital.

For many migrant parents, this may be the entire purpose of leaving.

Healthcare: money that prevents a household from falling backwards

Healthcare works similarly.

Medical expenditure may not create a financial asset, but illness can destroy one. A serious health event can force a household to sell land, borrow at high interest or pull a child out of education.

Remittance income can act as private insurance when formal protection is weak. It allows families to pay for diagnostics, medicines, hospital treatment and care without immediately liquidating assets.

This is one reason remittances have contributed so strongly to poverty reduction. The World Bank estimates they directly accounted for more than **30 percent of Nepal's poverty reduction between 2011 and 2023.**

The money is not merely making households consume more. It is making some households harder to push back into deprivation.

Housing: Nepal's visible remittance asset

Drive through many towns and villages and the physical evidence of migration is difficult to miss: concrete houses, additional floors,

new kitchens, boundary walls and urban plots.

Housing sits between consumption and investment. A family home produces shelter rather than business revenue, but it is also a durable asset. For a household that would otherwise pay rent, ownership reduces future cash expenditure.

Our analysis of Kathmandu's affordability problem showed how eliminating NPR 25,000–35,000 in monthly rent could reduce annual household cash requirements by NPR 300,000–420,000 in an illustrative urban scenario.

But housing also creates a national trade-off. NPR 5 million placed into a family house and NPR 5 million placed into productive machinery are both assets, yet they have different effects on employment and future output.

This is one reason a country can experience a building boom without an equivalent increase in productive enterprise.

Land: security, status and a store of wealth

Land plays an even more complicated role.

For families with limited trust in financial markets or few attractive investment alternatives, land can appear tangible and safe. It can preserve wealth, provide housing later, secure social

status and act as collateral.

But rising demand for land can also push prices beyond what local earnings justify. Money becomes locked into an illiquid asset that may generate little income.

This matters for the diaspora too. A Nepali abroad may accumulate property at home while continuing to rent abroad, creating substantial net worth without necessarily creating usable monthly cash flow.

The result is a familiar Nepali paradox: asset-rich households that still feel cash-poor.

Savings and bank deposits: less visible, but not necessarily idle

Not every rupee is spent immediately.

Households maintain bank deposits, fixed deposits, emergency reserves and other savings. From the household's perspective, this is financial security. From the banking system's perspective, deposits can become funds available for lending.

That does not guarantee productive investment. Banks may finance property, consumption or other activities rather than new productive firms. But the idea that money saved in a bank is simply "unused" is incorrect.

The deeper problem is whether Nepal has enough attractive, trustworthy and accessible channels that allow ordinary households to move from precautionary savings into diversified long-term investment.

Small business: important, but harder than the slogan suggests

Policymakers often argue that more remittances should go into businesses. The objective is understandable. Businesses can create employment, tax revenue and domestic production.

But asking a migrant household to become an entrepreneur simply because it has received money ignores risk.

A family may know how to save but not how to evaluate a restaurant, farm, shop or manufacturing business. A returning worker may have technical skill but limited knowledge of licensing, accounting, marketing or local demand. Capital without business capability can disappear quickly.

The central-bank research on remittances and investment therefore points toward advisory and training support rather than assuming households will automatically identify productive opportunities.

A bad business is not more “productive” for a family than a good fixed deposit merely because it employs someone for six months.

A simple NPR 100 remittance model

There is no single official allocation that describes every Nepali household. But a hypothetical NPR 100 helps explain the competing demands.

Possible use	Illustrative allocation	Household effect
Food & everyday living	NPR 35	Immediate welfare and consumption
Migration/debt repayment	NPR 15	Improves household balance sheet
Education & healthcare	NPR 15	Human capital and resilience
Housing / land	NPR 15	Durable household assets
Savings / financial assets	NPR 10	Liquidity and future security
Business / productive investment	NPR 10	Potential income and employment

Illustrative NPR 100 scenario only. These are not measured national household expenditure shares.

The point is that each rupee faces several legitimate claims before it ever reaches a business investment.

Scale the model to Nepal's remittance economy

Now consider the scale of NPR 2.363 trillion in recorded remittances in FY2025/26.

If just one percentage point of that amount were redirected from one use to another, it would represent roughly **NPR 23.6 billion**.

Five percentage points would be about **NPR 118.2 billion**.

This does not mean Nepal should mechanically redirect household money. Remittances belong to the people who earned and received them. But the mathematics shows why small changes in financial behaviour, migration costs or investment opportunities can matter at national scale.

Why remittances transformed households more than the economy

Nepal's migration model has been extraordinarily effective at transferring income to households. It has been less successful at converting that income into a domestic economy capable of offering comparable opportunities at home.

The World Bank's 2025 Country Economic Memorandum describes this structural challenge clearly: migration and remittances have supported resilience and poverty reduction, while Nepal's long-term growth has remained constrained by weak productivity, limited private-sector development and insufficient domestic job creation.

This helps explain the question examined in why stronger national financial indicators do not always make Nepal feel prosperous. Foreign currency can strengthen reserves and household purchasing power without automatically producing competitive firms, exports or high-paying domestic jobs.

The remittance-import loop

There is another macroeconomic effect.

When remittance income raises household purchasing power, some of that demand goes toward imported fuel, electronics, vehicles, clothing, food ingredients and other foreign goods. Remittances supply foreign exchange; imports consume it.

This is not evidence that households are behaving irrationally. People buy what is available and useful. The structural question is why Nepal does not produce more of what its increasingly prosperous households want to buy.

That is ultimately a productivity problem, not a moral failure by migrant families.

What would make remittance money work harder?

The answer is not to tell families to consume less.

Reducing migration costs would allow households to escape debt sooner. Better public schools and healthcare could reduce the amount families must privately purchase. Deeper capital markets could offer credible alternatives to land. Better financial advice could help households diversify savings. Easier business formation and more predictable regulation could make entrepreneurship less risky. Stronger domestic firms could give returning migrants somewhere productive to deploy both capital and skills.

In other words, the burden cannot be placed entirely on the remittance recipient.

If productive investment is unattractive, households will rationally choose safer alternatives.

And what about the person sending the money?

There is a final part of the equation that Nepal's remittance statistics cannot capture adequately: the migrant's own future.

A worker can send so much home that little is left for retirement, emergency savings or a return plan. A family can improve its living standard in Nepal while the person financing it remains financially insecure abroad.

That is why the question connects directly to the financial mathematics of eventually returning to Nepal. Remittance success should not be measured only by how much reaches home. It should also ask whether the migrant is building assets of their own.

The money is doing more than we think—and less than Nepal needs

Nepal's remittance economy has paid debts, fed families, educated children, financed healthcare, built houses, accumulated land and lifted millions toward greater economic security.

Calling that money “wasted on consumption” is analytically lazy.

But the opposite claim would also be wrong. Remittances have not solved Nepal's productivity problem. They have not created enough high-quality domestic jobs to stop another generation from considering migration. Household prosperity and national productive capacity are related, but they are not the same thing.

The most useful question is therefore not where every remittance rupee goes.

It is this: **what would Nepal have to change so that families could meet today's needs while investing more confidently in tomorrow?**

Data note: Current remittance totals are from Nepal Rastra Bank. Household welfare, poverty, migration-cost and expenditure evidence draws on World Bank analysis using Nepal Living Standards Survey 2022/23 and related migration research. The NPR 100 allocation is explicitly illustrative and should not be read as measured national household expenditure shares.

Originally published by Nepal Digest - <https://nepaldigest.com/where-does-nepals-remittance-money-actually-go/>