



Analyzing the Influence of Rural-to-Urban Migration on the Economic Activity and Financial Behavior of Migrant Households in Nepal

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Abstract

This study investigates how rural-to-urban migration influences the economic activities and financial behaviour of migrant households in Lumbini Province, Nepal. In many regions of Nepal, people leave rural areas due to poor job prospects, lack of essential services, limited income, inadequate educational facilities, and insufficient cultivable land. These factors drive them towards cities in search of better employment, education, healthcare, and living standards. This research aims to examine how these reasons for migration affect the way families work, earn, spend, and manage money after relocating to urban areas.

A mixed-methods research design was employed, combining both quantitative and qualitative data. The study gathered survey data from 404 migrant households using structured questionnaires and conducted in-depth interviews with 33 participants. The analysis utilized Smart PLS for structural equation modelling to examine relationships between migration drivers, economic activity, and financial behavior. Thematic analysis of interview data helped clarify the survey findings.

The results show that employment opportunities, lack of basic services, inadequate income sources, education facilities, and scarcity of land have significant effects on both the economic activities and financial behavior of migrant families. Economic activity was found to be a key factor that connects migration drivers with financial behavior. Migrants often shift from farming to non-agricultural jobs, change their savings habits, use digital banking, and join community savings groups after moving to cities.

This study highlights that migration is not only a shift in location but also a change in the economic and financial lives of families. The findings suggest that policymakers should design better programs to support migrant families, improve rural services, and manage urban



migration. The study contributes new insights into the migration experience in Nepal and offers a basis for further research and planning in similar contexts.

Keywords: Rural-to-Urban Migration, Economic Activity, Financial Behavior, Migration Drivers, Lumbini Province, Mixed-Methods Research, Nepal, Structural Equation Modeling, Push-Pull Theory, Migrant Households

Introduction

Globally, more than half of the world's population now lives in urban areas, marking a significant change mainly driven by rural-to-urban migration (Mandal & Pradhan, 2025; Yuan & Gan, 2025). In many developing countries, large numbers of people are relocating from rural regions to cities. Rimal et al. (2020) note that in South Asia, this trend is transforming economies and societies, with Nepal experiencing some of the fastest urban growth in the region. This pattern is also evident in Nepal, where rural families leave their homes in pursuit of better opportunities. Villages in Nepal often lack sufficient jobs, good schools, hospitals, or even reliable electricity and water supplies. Additionally, many farmers own small plots of land that do not yield enough food or income to support their families. These issues motivate people to migrate to urban areas, where they hope to find improved living conditions.

This study investigates how rural-to-urban migration impacts the economic activities and financial behaviour of migrant households in Nepal. Castelli (2018) explores the factors driving migration, such as employment opportunities, lack of essential services, limited income sources, and inadequate education facilities, while Maruf et al. (2022) emphasise the scarcity of cultivation resources. This research aims to examine how these factors influence the financial decisions and economic engagement of migrants in urban areas.

Rural-to-urban migration involves people moving from villages to cities in search of better jobs, education, and services (Sun et al., 2024). In simple terms, it means families leave rural areas because life there is difficult, with hopes for a better future in urban centres. This movement has occurred in many countries and is a key driver of city growth. Kanbur, (2021) concept gained significance in the 1950s and 1960s, when researchers such as W. Arthur Lewis and later Michael Todaro examined why people migrate and how it affects rural and urban regions. They explained that individuals are pushed out of villages by poverty and lack of opportunities, and are attracted to cities by the prospect of improved lives. Their work established the foundation for all subsequent migration studies.

In Nepal, this pattern of rural-to-urban migration has persisted for many years, with people relocating from villages in the hills to cities in the plains in search of better opportunities (Nautiyal et al., 2025; Subedi, 2021). Lumbini Province, situated in the southern part of Nepal, has seen many residents shift from rural hill districts to urban centres such as Butwal, Nepalgunj, and other expanding cities. Acharya et al. (2025) find the province has experienced significant population changes, with more people living in urban areas 55.2 percent than in rural ones 44.8 percent. This migration trend in Lumbini Province aligns with the fundamental



principles identified by Ravenstein, (1889), over 140 years ago, demonstrating that people continue to move from regions with fewer opportunities to areas with better jobs and services. In Nepal, especially in Lumbini Province, this type of migration has been widespread for many years. Many people from the hills and rural districts of Lumbini and Gandaki provinces have moved to cities like Butwal, changing the population dynamics and the way people live and work in the region. This research examines these changes in Lumbini Province to better understand how rural-to-urban migration affects families and communities.

Rural-to-urban migration in Nepal is causing serious problems that are affecting villages and cities. The main reason I chose this topic is that people are forced to leave their homes in rural areas because they cannot find good jobs, proper schools, healthcare, and other basic services in their villages. This issue is very apparent throughout Nepal, as many people from hill districts have moved to urban areas like Butwal and Nepalgunj, making these cities overcrowded. The negative consequences that need to be addressed include several major problems.

- In rural areas, fertile farmland is being deserted because there are no young people to work on the farms. Studies show that around 40 percent of agricultural land in Nepal's hills has been abandoned, which threatens food security and diminishes the country's capacity to feed itself (Subedi et al., 2021).
- Villages are emptying as only older adults and children remain, hindering rural development.
- In cities, too many people live in overcrowded slums without proper water, electricity, or sanitation facilities. About 49 percent of Nepal's urban population resides in slums as of 2018 ("Urban Growth," 2021).
- The environment suffers damage because neglected farmland results in soil erosion and landslides, while overcrowded cities generate pollution and waste issues.
- Families are separated for extended periods, leading to psychological and social issues for both migrants and those remaining behind.

These issues are especially serious in Lumbini Province because it has undergone rapid population changes, with more people now residing in urban areas 55.2 percent than in rural areas 44.8 percent (Acharya et al., 2025). The province faces the challenge of managing this population shift while ensuring that both rural and urban areas can offer decent living conditions for their residents.

This study draws on the push-pull migration framework articulated by Lewis and Todaro to analyze the relationship between migration drivers and household financial outcomes (Khalid & Urbański, 2021). Although many studies have examined why people move from villages to cities in Nepal, there is still limited research showing how this migration impacts the way migrant families earn, spend, and save money, particularly in Lumbini Province. Most previous research has relied on simple methods and has not explored the deeper connections between reasons for migration, economic activities, and financial behavior. Furthermore, very few studies have employed advanced tools like Smart PLS or mixed methods to understand these



relationships. As a result, our understanding of how different migration reasons influence the financial lives of migrant families in Lumbini remains incomplete. This study aims to address this gap by combining surveys and interviews with Smart PLS analysis, to provide a clearer picture of how migration shapes these households' economic and financial behavior.

This study is important because it helps us understand how relocating from villages to cities affects how families in Lumbini Province earn, spend, and save money. The results will offer new insights to aid local leaders and organizations in developing better programmes and support for migrant families. It will also provide valuable information for the government to create improved plans and policies that benefit both the people and the areas they move to. By examining the challenges and needs of migrant families, this research can improve their lives and assist everyone in planning for a brighter future.

1.1. Research Objective

The main aim of this study is to examine how drivers of rural-to-urban migration affect the economic activities and financial behavior of migrant households in Lumbini Province, Nepal. The specific objectives are as follows:

- To evaluate the effect of employment prospects in urban areas on migrant households' economic activities using Smart PLS.
- To evaluate whether the absence of basic services in rural areas influences changes in financial behavior among migrants.
- To establish the impact of insufficient income sources on migrants' savings and spending behaviors.
- To investigate how access to educational facilities in cities influences migrants' investment choices.
- To analyze whether the scarcity of cultivable land in villages causes households to change their economic strategies after migration.

2. Review of Literature

Rural-to-urban migration has been extensively studied in many developing countries. Researchers such as Lewis (1954) and Todaro (1969) argued that people move from rural to urban areas due to differences in employment opportunities and wages (Bhattacharya, 1993). In Nepal, several studies indicate that people frequently leave rural areas because of limited income, poor education, lack of healthcare, and small landholdings for farming (Jaquet et al., 2015). These push factors make rural life difficult, especially in hilly regions. In contrast, urban areas provide better schools, healthcare, and employment prospects, which attract migrants (Hoffmann et al., 2019).

Some researchers have also explored how migration affects economic activities. According to Liang et al. (2022) many migrants in urban areas commence small businesses or work in private companies. Their economic roles shift from farming to non-agricultural employment. Similarly, financial behavior also changes. Migrants begin using banks, mobile banking, and savings schemes more regularly than they did in rural areas (Lee et al., 2021).



2.1. Employment Opportunities and Rural-to-Urban Migration

Several researchers have explored why people migrate from rural to urban areas. According to Lewis (1954) and Todaro (1969), people leave villages because there are insufficient jobs, schools, or health services (“Rural Urban Migration, Unemployment and Job Probabilities,” 1976). They also move because farming does not provide enough income. Recent studies in Nepal have identified similar reasons. Fennell et al. (2018) showed that young people relocate to cities for better employment and education. Subedi et al. (2021) found that families often abandon rural areas due to poor services and small landholdings. Other studies have examined what happens after people move to cities. Mas’udah (2020) found that migrant families often change their spending and saving habits. They spend more on housing, food, and education. However, many migrants face city issues, such as finding good jobs and living in crowded places (Aerni, 2016).

Some researchers have used simple surveys to study these changes, but few studies utilize advanced tools or mixed methods. There is also limited research on how migration impacts financial behavior in Lumbini Province. This review indicates that while we understand why people move, we do not fully grasp how their economic activities and financial conduct alter following migration, particularly in Lumbini Province. My study will help address this gap by employing surveys and interviews to explore migrant families in this area.

2.2. Lack of Basic Services in Rural Areas

Most villages in Nepal still lack essential basic services (Khatri et al., 2017). These include good schools, hospitals, clean drinking water, and reliable electricity. Due to these deficiencies, life in rural areas is often difficult. Families seek better futures for their children and move to cities where they believe health care and education are more accessible. Several studies have demonstrated that the absence of basic services is a primary reason why people leave villages. Poertner et al. (2011) found that families in western Nepal migrate to cities mainly because of inadequate basic services in rural areas. They refer to this as a “push factor,” which drives people away from their homes and widens the gap between rural and urban areas.

Other researchers have observed similar results. A study by Stone (1986) and Ashworth et al. (2019) demonstrated that poor health services in villages cause people to relocate to cities in search of better care. Bhattacharya (1993) also explained that families leave rural areas with limited schools and hospitals to access improved services in urban regions. These studies concur that lack of services is a significant factor driving migration.

Some research has examined what occurs when people relocate. Mak et al. (2021) found that families from specific villages in Nepal migrated due to a lack of essential amenities like schools and health posts. Studies also indicate that when people move to cities, they often encounter new challenges, such as overcrowded living conditions and limited employment opportunities. However, gaps in our understanding remain. Most research focuses on why individuals leave, rather than how the absence of services influences their financial behavior after relocating. There is also limited research on how these issues impact families in particular



provinces, such as Lumbini. Many previous studies relied on simple surveys and did not employ advanced tools to explore deeper connections. My research will provide new insights into how the lack of basic services in villages affects migrant families in Nepal. This can assist leaders and planners in making more informed decisions for both rural and urban communities.

2.3. Inadequate Income Sources in Villages

Many families in rural Nepal lack sufficient means to earn money (Atreya et al., 2023). Most rely on farming, but the land is often small and unproductive. This makes it difficult for families to produce enough food or generate enough income to meet their needs. As a result, many live in poverty, and children frequently do not receive adequate nutrition or education. Several studies have shown that low income is the main reason people leave their villages. According to Balayar and Mazur (2022), many households in rural areas earn little from farming and have limited other job opportunities. This lack of income drives people, especially young individuals, to move to cities or abroad in search of better work.

Karki, (2024) also found that poverty, low income, and lack of job opportunities are common reasons for migration from rural areas. Giller et al. (2021) explained that low technology and small land size limit how much families can earn from farming, so they often have to look for other ways to support themselves.

Remittances from family members working in cities or other countries have become a vital source of income for many rural families. Studies by Hasibuan and Hartono (2024) show that households receiving remittances are less likely to fall into poverty. However, most of this money is spent on daily necessities, not on investment or improving farm productivity. Other research indicates that fewer workers remain in farming when people leave villages. Some families attempt to cope by raising livestock or switching to less labor-intensive crops. Still, the overall income in villages remains low, and many people continue to struggle.

Despite many studies on migration and income, there are still gaps. Most research examines why people leave but does not explain how low income influences their financial behavior after moving. There is also limited information about how these issues impact areas such as Lumbini Province. Many past studies used simple methods and did not explore how sources of income connect to other changes in family life. This research will provide new knowledge about how insufficient income sources in villages affect the lives of migrant families in Nepal. This can help leaders and planners make better decisions for rural and urban communities.

2.4. Education Facilities and Migration Decisions

Access to quality education is a major reason many families relocate from rural areas to cities (Rana & Qaim, 2024; Yu et al., 2024). In villages, schools are often distant, poorly equipped, or lack trained teachers. Consequently, parents worry about their children's future. By contrast, urban areas provide better educational options, including private and public schools, colleges, and training centers.

Studies show that the quality and availability of education are important factors in migration decisions. Childs et al. (2014) found that many parents from Nepal's hill regions move to cities like Butwal and Nepalgunj so their children can attend better schools. Other research, such as



by Schafft, (2016), found that access to schools helps improve children's chances of a better future, but many rural families still face significant challenges. The gap between rural and urban education is wide. In rural areas, schools may be small, have few students, and lack resources, while city schools offer more opportunities and a better learning environment.

Some studies also suggest that while education is important, it is not always the primary reason for migration. Rahe et al. (2025) found that other factors such as jobs, land, and social ties can be equally significant. However, better schools in cities are a major reason for many families to move, especially those with children. My research will help address these gaps. It will explore why families relocate and how moving to cities impacts their children's education and financial behavior. I will gather information from migrant families in Lumbini Province through surveys and interviews. This research will provide new insights into how educational facilities in rural and urban areas influence migration and family life. It will assist leaders and planners in making more informed decisions for both rural and urban communities.

2.5. Scarcity of Land for Cultivation

Land is vital for farming families in rural Nepal. However, in many hilly and mountainous regions, land is neither limited nor suitable for cultivation (Zhang et al., 2019). This complicates families' efforts to earn a decent livelihood. As a result, many people opt to migrate to urban areas in search of employment and a better quality of life. Several studies suggest that limited land for farming is a key reason why people leave villages. Ghimire et al. (2025) found that about 40 percent of farmland in Nepal's hills remains unused, and 60 percent of farmers have abandoned at least one parcel of their land. The main reasons include small landholdings, distance from home, steep slopes, and poor soil quality. Lowder et al. (2025) observed that most village families earn very little from farming because their land is too small and unproductive. This forces young people to migrate to cities or other countries in search of work. Research shows that Nepal's land is broken down into many small pieces. Sunam et al. (2025) found that, on average, each family has more than three pieces of land. Some families with bigger land have even more pieces about 7.5 per household. This makes farming very hard and not profitable. The average land size per family in Nepal is less than 0.68 hectares, which is getting smaller yearly (Pun et al., 2024).

The total amount of farmland in Nepal is getting smaller every year. The Agriculture Census 2021/22 shows that farmland decreased from 2.52 million hectares in 2011/12 to 2.22 million in 2021/22 (Mishra, 2024). This means 300,000 hectares of farmland were lost in just ten years. The pieces of land are also getting smaller, making farming even harder. Best, (2024) found that families often stop using land that is far away or not good for farming. While these studies explain the reasons for leaving villages, fewer studies show how the lack of land changes financial behavior after migration. This study aims to fill that gap by looking at how land problems in rural areas affect the economic choices of migrants in urban areas, especially in Lumbini Province.



2.6. Economic Activity and Migration

Economic activity means the ways people earn money and support their families. In rural Nepal, most people work in farming or small businesses. However, many families find it hard to earn enough because there are few jobs, low wages, and limited markets for their products. This makes life difficult and is one of the main reasons people move from villages to cities. Haan, (1999) agree that weak economic activity in villages is a significant cause of migration. According to Kelly et al. (2025), many young people leave rural areas because there are insufficient jobs or business opportunities. They found that farming alone does not generate enough income, so families seek better prospects in cities. Jin et al. (2024) explained that when villages lack factories or large enterprises, people must rely solely on farming or daily wage labour. This renders their income unstable and prompts them to migrate.

Rozynek, (2024) found that when families move to cities, they often change their work. They may start small shops, work in factories, or do other impossible jobs in villages. My study will help explain why people leave villages because of weak economic activity and how their ways of earning and spending money change after moving to cities. I will focus on migrant families in Lumbini Province and use surveys and interviews to collect information. This research will give new knowledge about how economic activity in villages and cities affects the lives of migrant families in Nepal. The results can help leaders and planners make better decisions for rural and urban communities.

2.7. Financial Behavior of Migrant Households

Financial behavior means how people use their money how they earn, save, spend, or invest (Gilenko & Chernova, 2021). When families move from villages to cities, their money habits often change. In rural areas, people mostly depend on farming and informal work. However, in cities, they get regular jobs or do small businesses. This change affects their financial decisions.

According to Cui et al. (2023) and Barlas et al. (2025), remittances increase family income and help reduce poverty in rural areas. Migrant families often use this money for basic needs, education, health care, and paying off debts. Previous research Tilenbaeva, (2025) shows that most remittance money is used for daily expenses, housing, and social activities. Only a small part is saved or invested in businesses. Human capital and social impact studies by Batista et al. (2025) found that remittances help families improve children's education and bring new knowledge to the household. However, there can also be negative effects, such as loneliness and family separation. Recent findings show that many migrant families are learning to keep records and prepare budgets, but financial literacy is still low in some areas.

Few studies have focused on the long-term financial behavior of migrants in Nepal. Also, there is limited data from Lumbini Province. Most past studies used only basic surveys. This study will use surveys and interviews to understand how migration changes financial habits. It will also examine how income, job type, and education affect these financial choices.



2.8. Research Gap

Many studies have explored why people migrate from rural to urban areas. However, fewer studies examine how migration changes the economic activities and financial behavior of migrant families, especially in Lumbini Province. Most existing research focuses on migration drivers or basic outcomes, but does not look closely at what happens to families' ways of earning, spending, and saving money after they move.

Additionally, few studies in this region use advanced research tools such as SmartPLS or apply mixed methods that combine surveys and interviews. The deeper connections between migration reasons, economic activity, and financial behavior are still poorly understood in Lumbini Province.

This study aims to fill these gaps using quantitative and qualitative methods, including SmartPLS, to provide new insights into how migration affects the economic and financial lives of migrant households in this area.

2.9. Theoretical Framework

According to this theory, people are "pushed" out of rural areas because of problems like no job opportunities (EO), lack of basic services (LBS) such as hospitals or clean water, low and unstable income (IIS), few good schools (EF), and shortage of good farming land (SLC). At the same time, they are "pulled" into urban areas by better jobs, schools, hospitals, and living conditions. This theory helps explain the main reasons behind rural-to-urban migration.

The NELM theory looks at migration as a family decision (Paul, 2015). Families not only migrate to find better work, but also to reduce risks and improve their whole economic life (Biesenbeek, 2025). After moving to the city, migrants may earn money and send it back home. This affects how families save, spend, or invest money, which is called Financial Behavior (FB). It also changes how they work and earn income, which is called Economic Activity (EA). This theory helps to understand what happens after migration, especially how it affects the financial decisions of migrant households. In this study, this theory supports the mediating variable (EA) and dependent variable (FB) by showing how migration changes a family's income sources and financial habits.

This study uses two main theories to explain why people move from villages to cities and what happens after they move. The first is the Push-Pull Theory. This theory says that people are pushed out of rural areas because of problems like insufficient jobs, poor services, low income, few schools, and insufficient land. At the same time, they are pulled to cities because of better jobs, schools, hospitals, and living conditions. The second theory is the New Economics of Labor Migration (NELM). This theory explains that families decide to migrate not just for better jobs, but also to improve their whole family's life and reduce risks (Poole, 2022). After moving, migrants may earn money and send it home, which changes how families save, spend, and invest. Using these two theories helps this study understand why families leave villages and how their economic and financial lives change after moving to the city.



2.10. Conceptual Framework

The conceptual framework shows the relationship between the main variables in this study. It is based on theories and previous research. This framework helps to understand how rural-to-urban migration affects economic activity and the financial behavior of migrant households. This framework is guided by two main theories: The Push-Pull Theory (Lee, 1966) and the New Economics of Labor Migration (NELM) by Stark and Bloom (1985) (Stark et al., 1985). The Push-Pull Theory explains why people leave rural areas, and NELM helps to understand the economic and financial changes after migration.

Employment Opportunities: Many people in rural areas do not find good jobs near their homes. There may be limited job options or very low wages. According to the Push-Pull Theory, this lack of work "pushes" people to leave their villages. They move to cities with more jobs in factories, offices, or services. These job chances "pull" them into urban areas. Studies like Lewis (1954) and Todaro (1969) explain that people search for work in new places when jobs are unavailable at home. Employment Opportunities are a key reason why families decide to migrate. In this study, we look at how the availability of jobs influences a family's decision to move and affects their later work and income in cities. When jobs are better in the cities, families may change their lifestyles and how they use money. So, job availability is an essential part of understanding rural-to-urban migration.

Basic Services: Health care, clean drinking water, roads, and electricity are often missing in rural areas. Families struggle to get proper treatment or clean water for daily use during sickness. (Stone, 1986) found that Western Nepal's lack of basic services pushes people toward urban areas. According to Push-Pull Theory, poor services "push" families out of villages, while better hospitals, schools, and roads in cities "pull" them. This problem makes life difficult in rural areas, especially for children and older people. Families feel they have no choice but to move to cities for a better future. This study includes a lack of basic services as a reason for migration. It helps us understand why people leave their homes and how this decision changes their lives later in the city. It also connects with their financial activities, such as spending more on health and transport.

Inadequate Income Sources: In villages, most people earn money from farming or small jobs. However, agriculture depends on rain and land, which are unreliable. Many families find it hard to earn enough to cover basic needs. The Push-Pull Theory says that low income "pushes" people out of rural areas, while better-paying jobs in cities "pull" them in. Brown-Luthango & Magidi (2025) found that when families cannot earn enough in their village, they look for work in towns and cities. Inadequate income sources are one of the major causes of migration. This study explores how a weak income base at home drives families to seek better opportunities elsewhere. It also looks at how this move changes their earning and spending. By understanding this variable, we can see how financial struggles lead to migration and how those who move try to create new sources of income in the city.

Education Facilities: Many rural schools in Nepal have poor buildings, few teachers, and insufficient learning materials. Children often have to walk long distances to attend school.



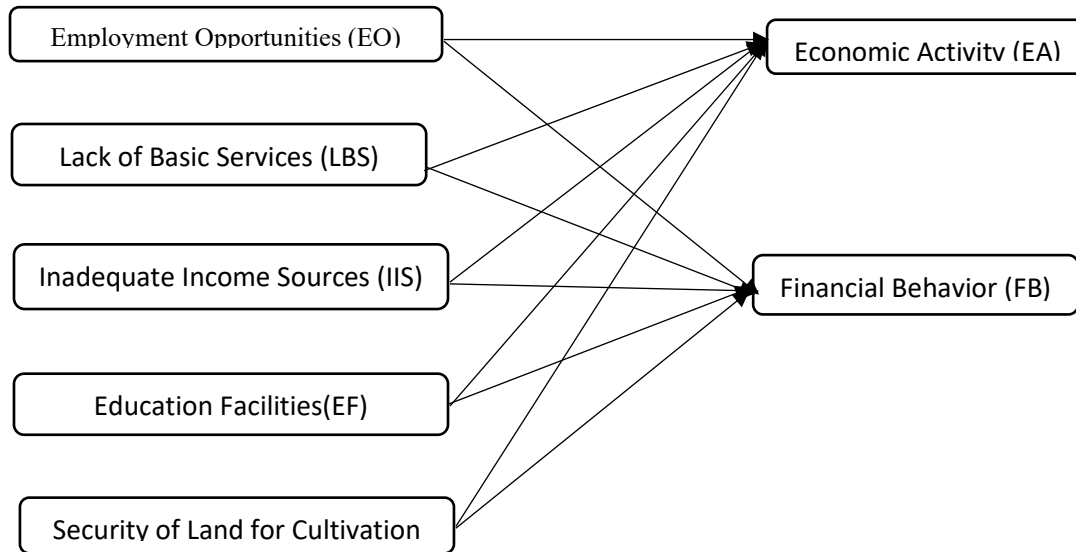
Devkota (2025) found that families from rural hill areas move to urban centers like Butwal and Nepalgunj so their children can study in better schools. According to Push-Pull Theory, poor education in rural areas "pushes" families to move, while better schools in the cities "pull" them. Education is essential for parents who want a promising future for their children. This study includes education facilities as a factor behind rural-to-urban migration. Families moving to cities often invest more in their children's education. This may also change their financial priorities, like spending on school fees and tuition. Understanding the role of education helps explain why some families migrate and how this decision affects their financial and economic behavior after migration.

Scarcity of Land for Cultivation: In many parts of Nepal, farming land is limited or not fertile. Some families have tiny plots, and others do not own land. This makes farming difficult and income unstable. According to Push-Pull Theory, this land shortage "pushes" people to move to cities, where they can find work and leave farming behind. Chaudhary et al. (2018) noted that land problems in hilly areas of Nepal cause families to leave their villages. In this study, land scarcity is considered one of the main reasons for migration. People who cannot grow enough food or earn from farming look for other options. This shift away from agriculture changes their income source and financial habits. Understanding this variable helps to know why people leave their homes and how their work and spending change once they settle in the city.

Economic Activity: Economic activity means how people earn money, what kind of jobs they do, and how they participate in the economy. After moving to the city, migrant families often take up new work. Some start small shops or join the service sector. According to the New Economics of Labor Migration (NELM), families migrate to earn, manage risks, and improve their income. Andersen and Spanger (2024) explained that migration helps families find new ways to survive economically. This study looks at economic activity as a mediating variable. That means it connects the reasons people migrate like job problems or lack of land to what happens afterward like how they use and manage their money. Understanding economic activity helps explain the steps migrants take to adjust to urban life and how these changes affect their long-term financial habits and well-being.

Financial Behavior: Financial behavior means how people use, save, and invest money. After migration, families may start earning more, but they also have new expenses like rent, food, and school fees. Arapi-Gjini et al. (2024) found that migrant families change spending and saving patterns. Some save for the future, while others send money back home. The New Economics of Labor Migration (NELM) explains that families migrate to improve financial stability. This study sees financial behavior as the primary outcome of migration. It shows how people adjust their money habits after leaving their village. This includes changes in savings, daily spending, investment, and sending remittances. Understanding financial behavior helps to see the complete picture of migration's effect on a household. It is the final result of all the reasons behind migration and the new life they begin in cities

Figure 1 *Conceptual Framework*



This conceptual framework brings together important reasons families move from rural to urban areas. The independent variables employment opportunities, lack of basic services, income sources, education, and land scarcity are key "push" factors. The Push-Pull Theory supports these. The mediating variable, economic activity, and the dependent variable, financial behavior, are explained by the NELM theory. Together, these variables help us understand how and why people migrate, and how their financial lives change afterward. This framework will guide the study in exploring the real experiences of migrant families in Lumbini Province.

2.11. Research Hypotheses

This study aims to understand how problems in rural areas push people to move to cities, and how these changes affect their work and money habits. Ten hypotheses are developed based on the Push-Pull Theory and New Economics of Labor Migration (NELM). These theories explain both the reasons behind migration and its outcomes. The Push-Pull Theory focuses on problems like unemployment, lack of services, poor education, and land shortage in rural areas. These factors push people to cities where better chances "pull" them.

On the other hand, NELM shows that families migrate not just for work, but to improve their economic future and manage risks. The hypotheses are designed to test how migration reasons independent variables influence economic activity (mediating variable) and financial behavior (dependent variable). Each hypothesis is supported by past studies and is built to test real-life situations migrant households face in Nepal.

H₁: *Economic activity has a positive effect on financial behavior.*

This hypothesis posits that the type and intensity of economic engagement, such as shifting from rural farming to urban wage labor, small business, or service-sector jobs, directly improve how migrant households manage their finances. Similarly, migrants secure stable, diverse urban employment, they are more likely to adopt formal savings, use digital banking, and plan



expenditures, contrasting with the informal, cash-based practices common in rural areas (Arisa, 2025). This transition reflects higher and more regular income and exposure to urban financial systems, peer networks, and employer practices, all of which encourage more sophisticated, secure, and goal-oriented financial behavior.

H₂: Employment opportunities have a positive effect on financial behavior.

Better urban job prospects are a powerful pull factor, motivating rural families to migrate. Once in the city, access to a broader range of employment, from factory work to retail and services, enables households to earn more reliably. This stability fosters confidence in managing money: migrants are more likely to save, budget, and invest, reducing reliance on informal credit (Sun et al., 2024). The hypothesis highlights that by offering higher wages and regular paychecks, urban labor markets provide the material foundation and psychological security needed for households to shift from survival-focused spending to more strategic, future-oriented financial decision-making.

H₃: Lack of basic services has a positive effect on financial behavior.

Chronic deficits in rural healthcare, education, water, and electricity “push” families toward cities, where access to these services is perceived as better (Bird et al., 2002). After migration, however, the immediate financial impact is mixed: while some costs like health emergencies may decrease, urban living introduces new expenses, such as rent, utilities, and school fees. This hypothesis asserts that pursuing basic services reshapes financial priorities, compelling households to allocate more income to education and health, adopt formal financial tools to manage irregular cash flows, and sometimes take on debt. Thus, the absence of rural services doesn’t just drive migration; it fundamentally alters how migrants use money.

H₄: Inadequate income sources have a positive effect on financial behavior.

Rural livelihoods, often dependent on small-scale farming or casual labor, are marked by low and unpredictable earnings (Ellis, 2000). This income insecurity pushes households to seek urban opportunities. In the city, even modest increases in earnings from steady jobs or small businesses allow families to plan, save for emergencies, and invest in children’s education. The hypothesis emphasizes that moving away from subsistence agriculture reduces the need for distress sales of assets or high-interest informal loans, enabling migrants to develop healthier financial habits, such as regular saving, responsible borrowing, and participation in community-based financial groups.

H₅: Economic activity mediates the relationship between migration reasons and financial behavior.

This hypothesis proposes that the reasons for migration, such as lack of jobs, services, income, education, or land, do not affect financial behavior directly (Castelli, 2018). Instead, their impact is channeled through the economic activities migrants engage in after relocating. For example, limited rural opportunities may push a family to the city. However, the shift to urban employment or entrepreneurship changes how they save, spend, and borrow. Economic activity thus acts as the crucial “bridge,” transforming the structural drivers of migration into observable improvements or challenges in household financial management.



H₆: Employment opportunities have a positive effect on economic activity.

Urban centers offer more jobs than rural areas, where agriculture dominates (Sheludkov et al., 2020). This hypothesis states that access to these opportunities is a key factor in migrants' ability to transition successfully into non-farm work. Securing employment in factories, services, or trade increases household income and exposes migrants to new skills, workplace norms, and social networks. These experiences diversify economic participation, reduce reliance on single income sources, and enable households to weather economic shocks. The hypothesis underscores that urban job markets are central to the economic transformation of migrant families.

H₇: Lack of basic services has a positive effect on economic activity.

The absence of reliable healthcare, schools, water, and electricity in rural areas compels families to migrate, hoping for better urban infrastructure (Javed et al., 2024). Once in the city, improved access to these services supports entry into the formal labor market, e.g., children can attend school regularly, and adults are healthier and more productive. This hypothesis posits that the availability of basic urban services improves quality of life and enables migrants to pursue a broader range of economic activities, from skilled employment to small business, thus accelerating their integration into the urban economy and fostering upward mobility.

H₈: Inadequate income sources have a positive effect on economic activity.

When rural incomes are insufficient to meet basic needs, households are motivated to seek alternative livelihoods in cities (Nchor, 2023). This hypothesis asserts that searching for better earnings drives migrants to explore diverse urban economic opportunities, such as manufacturing, retail, or services, unavailable in their villages. This diversification reduces vulnerability to agricultural shocks and seasonal unemployment. By engaging in multiple income-generating activities, migrant households increase their earnings and build resilience, adaptability, and skills that are valuable in dynamic urban labor markets, ultimately supporting more stable and prosperous livelihoods.

H₉: Education facilities have a positive effect on economic activity.

Limited educational opportunities in rural areas restrict skill development and confine residents to low-productivity farming or manual labor (Shenbei et al., 2023). This hypothesis states that migration to cities with better schools and training centers allows both adults and children to acquire new competencies, enhancing their employability in higher-value sectors. Education equips migrants to access formal employment, vocational training, or entrepreneurship, thereby broadening the range of economic activities they can pursue. The hypothesis emphasizes that investing in human capital through urban education is a critical pathway for migrant households to achieve economic advancement and break cycles of rural poverty.

H₁₀: Scarcity of land for cultivation has a positive effect on economic activity.

Small, fragmented, or unproductive farmland in rural Nepal leaves households with few viable agricultural options, pushing them toward urban migration (Tiwari, 2025). This hypothesis posits that the loss of a land-based livelihood forces migrants to seek non-agricultural work in cities, such as construction, trade, or services. This transition not only diversifies income



sources but also involves learning new skills and adapting to urban work cultures. While the shift away from farming can be challenging, it often leads to more stable, market-integrated livelihoods, reducing dependence on environmentally and economically precarious rural agriculture and supporting broader household economic resilience.

These hypotheses give a strong basis for examining how migration changes people's lives, especially economically and financially. By testing them, this study can explain why people move and what happens after they settle in cities. Most past studies focused only on reasons for migration. Very few explored how migrants change their working style and manage money. Also, advanced tools like Smart PLS or mixed methods are rarely used. This research will help fill that gap. It focuses on Lumbini Province, where migration is high but less studied. The results will give banks, policymakers, and development planners clear ideas on how to support migrant families. These hypotheses will help guide the analysis and make the findings useful for real planning and policy work.

3.1 Research Design and Approach

This study used a mixed-methods design to explore how rural-to-urban migration affects the economic activities and financial behavior of migrant families in Lumbini Province, Nepal. Mixed methods combine two types of data: numbers from surveys, quantitative, and personal stories from qualitative interviews. This combination helps understand the general patterns and the personal experiences related to migration. The study followed an explanatory sequential design, meaning the survey was done first to collect broad information. Then, interviews were conducted to explain the survey results in more detail. This approach helps determine what happens when people migrate, and why and how their family life and financial habits change after migration.

3.2 Study Setting and Population

The study was carried out in Lumbini Province, a region experiencing rapid urban growth and a high influx of rural-to-urban migrants. This area was selected because many individuals have relocated from rural villages to cities like Butwal. Recent data indicates that approximately 55 percent of Lumbini's population reside in urban areas. The research concentrated on families who migrated from rural regions to urban centres within the last 1 to 10 years. Participants were adults aged 18 or older capable of discussing their family's migration experience. This group was chosen because they could explain how their employment, income, and financial habits changed after moving to urban settings. The 1 to 10 year migration window was used to include both recent arrivals and long-term settlers for a comprehensive perspective.

3.3 Sample Size and Sampling Strategy

This study was conducted in Lumbini Province, Nepal, an area experiencing rapid urbanization and a high influx of rural-to-urban migrants. The target population comprised adults aged 18 years or older from households that had migrated from rural to urban areas within the past 1 to 10 years. This timeframe was selected to capture both recent arrivals and longer-term settlers, providing a comprehensive view of adaptation processes.



Participants were required to be capable of discussing their family's migration experience, ensuring that respondents could provide informed insights into changes in economic activity and financial behavior.

For the quantitative survey, a sample size of 403 migrant households was determined based on statistical power requirements for structural equation modeling, informed by previous studies in similar contexts. The sample was drawn using stratified random sampling: urban areas were categorized by the duration of residency (1–3 years, 4–6 years, 7–10 years, and more than 10 years), and households were randomly selected from each stratum to ensure representation across different migration experiences.

For the qualitative component, 33 households were selected from the survey pool using purposive sampling to maximize diversity in terms of age, occupation, family type, and migration background. Interviewing continued until data saturation are reached that is, until no new themes emerged in successive interviews.

The study included adults aged 18 years or older from households that had migrated from rural to urban areas within the past 1–10 years, residing in selected urban centers of Lumbini Province such as Butwal and Nepalgunj. Eligible participants were required to be able to provide informed consent and share their family's migration experiences. Individuals were excluded if they were under 18 years of age, belonged to households that had not migrated within the specified timeframe, or were unable or unwilling to provide informed consent.

3.4. Geographic and Socio-economic Context

Lumbini Province is characterized by significant rural-to-urban migration, with over half of its population now residing in urban areas. Migrants in this study came from diverse rural backgrounds but shared common challenges such as limited access to quality education, healthcare, and employment opportunities in their places of origin. The urban destinations Butwal offered better infrastructure, services, and economic prospects, but also presented new challenges related to cost of living, housing, and social integration.

3.5. Data Collection Methods and Instruments

Firstly, a structured questionnaire was employed for the survey, drawing on tools from reputable organizations such as IOM, UNECE, FAO, and UNCDF. The questionnaire inquired about personal details, reasons for migration, employment activities, and financial habits. Trained survey assistants visited households and assisted participants in completing the questionnaire, which took 30 - 45 minutes.

Next, semi-structured interviews were conducted with 33 selected participants to explore their migration journeys, work changes, and money management after relocating. These interviews lasted 45 - 60 minutes and were conducted in Nepali or local languages. Interviews were recorded with permission and later transcribed for analysis.

3.6 Measurement of Variables

The study examined five primary reasons for migration, assessed with straightforward statements and a 5-point Likert scale (ranging from “strongly disagree” to “strongly agree”).

Employment Opportunities: Comparing job availability in cities vs. villages.



Lack of Basic Services: Access to things like health care, education, clean water, and electricity.

Inadequate Income Sources: How much people could earn in rural areas.

Education Facilities: Availability and quality of schools.

Scarcity of Land for Cultivation: Amount and quality of farmland.

Economic activity was assessed by inquiring about types of work, sources of income, and business pursuits before and after migration.

Financial behavior encompassed questions about using banks, saving, borrowing, sending money, and spending habits.

The questionnaire was pre-tested with 33 people to assess clarity and cultural appropriateness. Additional details such as age, gender, education, family size, and time since migration were also gathered as background information.

3.7 Data Analysis Procedures

Survey data were entered into a computer and analyzed using SPSS version 20 for basic statistics such as totals, averages, and percentages. For more detailed analysis, Smart PLS 4.0 was employed for Structural Equation Modelling (SEM), which examined how migration reasons, economic activities, and financial behaviors are interconnected. The analysis also assessed reliability using Cronbach's alpha and validity convergent and discriminant.

Interview data were analyzed through thematic analysis using NVivo 12 software. This involved reading the interview transcripts, identifying common ideas, and grouping them into themes. The analysis employed steps such as open coding, axial coding, and selective coding to recognize key patterns.

The results from surveys and interviews were then triangulated to develop a comprehensive understanding of how migration impacts household economics and financial behavior.

3.8 Ethical Considerations and Quality Assurance

The study adhered to strict ethical guidelines. Approval was obtained from the Institutional Review Board (IRB) of the affiliated university prior to commencement. All participants provided informed consent after being informed about the study's aims, procedures, and their rights. Participation was voluntary, and individuals could withdraw at any point.

Personal details were not collected to safeguard privacy. All data were securely stored on password-protected computers and will be destroyed after five years. The research team was trained in ethical research practices. The questionnaire was tested beforehand to ensure quality.

For the interviews, participants were permitted to review their responses (member checking) to verify accuracy. The study adhered to international ethical standards for research with human participants, ensuring respect, privacy, and fairness throughout the process.

Table 1. Demographic Information

Demographic Variable	Category	Frequency (No.)	Percentage
Gender	Male	225	55.83
	Female	166	41.19
	Others	12	2.98



Demographic Variable	Category	Frequency (No.)	Percentage
Age Group (Years)	18–29	84	20.84
	30–39	143	35.48
	40–49	113	28.03
	50 & Above	63	15.67
Marital Status	Married	315	78.18
	Unmarried	57	14.14
	Divorced	24	5.9
	Widowed	7	1.78
Education Level	No Formal Education	15	3.7
	Primary	61	15.13
	Secondary	89	22.08
	Higher Secondary	99	24.56
	Bachelor	87	21.58
	Master & Above	52	12.95
Occupation	Farmer	83	20.59
	Laborer	32	7.9
	Business	112	27.79
	Service	123	30.52
	Student	0	0
	Others	53	13.15
Household Size (Members)	2 Members	12	2.9
	3 Members	45	11.16
	4 Members	143	35.48
	5 Members	135	33.49
	6 Members	44	10.91
	7 Members	24	6.06
Current Residence Type	Rented	243	60.29
	Owned	130	32.25
	Living with Relatives	30	7.46
	Others	0	0.00
Duration of Stay in Urban Area	1–3 Years	132	32.75
	4–6 Years	160	39.70
	7–10 Years	60	14.88
	More than 10 Years	51	12.67
Migration History	First-Time Migration	380	94.29
	Multiple-Time Migration	23	5.71



Table 1 in this study presents the background information of 403 migrant respondents living in Lumbini Province. Among them, 225 were male, 166 were female, and 12 were identified as others. Most respondents, 143, were between 30 and 39 years old, followed by those aged 40 to 49 years, numbering 113. The majority were married, with 315, while only a few were unmarried, 57, divorced, 24, or widowed, 7. In terms of education, most had completed higher secondary education, 99, secondary education, 89, or a bachelor's degree, 87, while only a few had no formal education, 15. Regarding employment, the largest groups were in service, 123, business, 112, and farming, 83. Most families had either 4 members, 143, or 5 members, 135. The majority of respondents lived in rented houses, 243, and most had resided in urban areas for 4–6 years, 160. Interestingly, 380 participants were first-time migrants, indicating a large number of new movers. This table provides a clear overview of the migrant families, aiding in understanding their economic and financial behavior for the study.

4.1. Measurement Model

The measurement model accessed the latent constructs and their observed indicators, using survey items adapted from established sources. Reliability and validity of the constructs were evaluated through confirmatory factor analysis in Smart PLS, examining indicator loadings, composite reliability, and discriminant validity. All measurement items met the required thresholds, confirming that the model accurately represents the underlying constructs for further analysis.

Table 2 shows that all constructs demonstrated excellent internal consistency reliability, with Cronbach's alpha (CA) and composite reliability (CR) values exceeding the recommended threshold of 0.70. Specifically, CA and CR values for all constructs ranged from 0.906 to 0.984, indicating high reliability of the multi-item scales. Factor loadings above 0.60, along with Cronbach's alpha and composite reliability above 0.70 (Hair et al., 2020), are considered acceptable. Convergent validity was confirmed through the average variance extracted (AVE), with all constructs reporting AVE values well above the minimum criterion of 0.50 (Cheung et al., 2024), ranging from 0.675 to 0.904. Individual item factor loadings were also above 0.79 for all items, demonstrating that each indicator contributed significantly to its respective construct. These results provide strong evidence that the constructs employment opportunities, lack of basic services, inadequate income sources, education facilities, scarcity of land for cultivation, financial behavior, and economic activity are measured with high reliability and validity. The robust statistical properties of the measurement model support the significance of subsequent structural analysis and hypothesis testing.

Table 2: Descriptive Statistics and Correlation

Constructs	No	Items	CA	FL	CR	AVE
Employment Opportunities (EO)	6	EO1	0.982	0.950	0.984	0.904
		EO2		0.952		
		EO3		0.940		
		EO4		0.953		
		EO5		0.953		
		EO6		0.951		
		EO7		0.954		

Lack of Basic Service (LBS)	7	LBS1	0.928	0.979	0.979	0.886
		LBS2	0.941			
		LBS3	0.942			
		LBS4	0.942			
		LBS5	0.953			
		LBS6	0.941			
		LBS7	0.943			
Inadequate Income Sources (IIS)	7	IIS1	0.949	0.981	0.983	0.899
		IIS2	0.941			
		IIS3	0.951			
		IIS4	0.945			
		IIS5	0.952			
		IIS6	0.946			
		IIS7	0.951			
Education Facilities (EF)	7	EL1	0.941	0.981	0.981	0.897
		EL2	0.946			
		EL3	0.955			
		EL4	0.949			
		EL6	0.950			
		EL6	0.939			
		EL7	0.950			
Security of Land for Cultivation (SLC)	7	SLC1	0.957	0.982	0.982	0.901
		SLC2	0.947			
		SLC3	0.947			
		SCC4	0.952			
		SLC5	0.948			
		SLC6	0.944			
		SLC7	0.951			
Financial Behavior (FB)	7	FB1	0.836	0.92	0.92	0.675
		FB2	0.831			
		FB3	0.803			
		FB4	0.835			
		FB5	0.799			
		FB6	0.812			
		FB7	0.834			
Economic Activity (EA)	6	EA1	0.796	0.906	0.906	0.681
		EA2	0.833			
		EA3	0.805			
		EA4	0.847			
		EA5	0.830			
		EA6	0.838			

The Fornell–Larcker results in Table 4 showed that the square root of the average variance extracted (AVE) for each construct was higher than its correlations with any other construct. For example, values such as 0.825 for Economic Activity (EA), 0.947 for Education Facilities (EF), and similarly high values for other constructs on the diagonal were always greater than the numbers in the same row or column. This indicates that each construct, such as employment opportunities, lack of basic services, inadequate income sources, education facilities, scarcity of land for cultivation, economic activity, and financial behavior, measured something unique

and was not confounded with the others. The square root of the AVE exceeds its correlations with other model constructs (Fornell & Larcker, 1981). HTMT confirms discriminant validity. The Fornell-Larcker value is less than all diagonal values of all constructs, which meet the minimum thresholds, indicating discriminant validity for higher-order constructs. To further support this, the HTMT values in Table 3 were all below the conservative limit of 0.85 (Voorhees et al., 2016). The highest HTMT ratio was 0.824 between Economic Activity and Financial Behavior, and most were significantly lower, showing that there was no risk of overlap between the constructs. These two tests together provide strong evidence that all the different topics in the survey were clearly distinct from each other, ensuring the quality and reliability of the measurement model.

Table 3 *Heterotrait-Monotrait ratio*

	EA	EF	EO	FB	IIS	LBS	SLC
EA							
EF	0.424						
EO	0.329	0.108					
FB	0.824	0.389	0.365				
IIS	0.351	0.064	0.035	0.376			
LBS	0.320	0.079	0.030	0.343	0.07		
SLC	0.401	0.065	0.047	0.412	0.028	0.059	

Table 4 *Fornell–Larcker criterion*

	EA	EF	EO	FB	IIS	LBS	SLC
EA	0.825						
EF	0.399	0.947					
EO	0.312	-0.106	0.951				
FB	0.753	0.37	0.348	0.822			
IIS	0.332	0.063	-0.029	0.359	0.948		
LBS	0.302	-0.077	-0.024	0.325	-0.067	0.941	
SLC	0.379	0.064	0.045	0.393	-0.023	-0.057	0.949

Table 4 *VIF Inner Model*

	EF > EA	EF > FB	EO > EA	EO > FB	IIS > EA	IIS > FB	LBS > EA	LBS > FB	SLC > EA	SLC > FB
VIF	1.026	1.026	1.016	1.016	1.009	1.009	1.014	1.014	1.01	1.01

Table 4 shows that all VIF values for the paths between variables such as education facilities (EF), employment opportunities (EO), inadequate income sources (IIS), lack of basic services (LBS), and scarcity of land for cultivation (SLC) to economic activity (EA) and financial behavior (FB) are very low, ranging from 1.009 to 1.026. These VIF values are significantly



below the common threshold of 5.0, indicating no issue of multicollinearity in the model (Kim, 2019). In simple terms, this result means that each variable in the model contributes its own unique effect and does not overlap with others, ensuring that the study's findings and conclusions remain reliable and precise.

Table 5 Model Fit

	Saturated model	Estimated model
SRMR	0.026	0.026
d_ULS	0.773	0.773
d_G	0.618	0.618
NFI	0.949	0.949

Table 5. The SRMR val The FE for both the saturated and estimated models was 0.026, well below the recommended cut-off of 0.08, indicating an excellent fit between the model and the observed data (Wang et al., 2024). The d_ULS (Unweighted Least Squares discrepancy) and d_G (geodesic discrepancy) values were both low (0.773 and 0.618, respectively), further supporting a good fit. Most importantly, the NFI value was 0.949, which is very close to 1 and well above the common threshold of 0.90, suggesting that the model adequately explains the observed data (Hulland, 1999).

Table 6. R²

	Original sample (O)
EA	0.653
FB	0.704

The R-squared values in this study demonstrate how effectively the main factors in the model account for changes in the economic activity and financial behavior of migrant households. The R-squared for economic activity (EA) is 0.653, indicating that approximately 65 percent of the variations in economic activity are explained by factors such as job opportunities, lack of services, income sources, education, and land issues related to migration. Similarly, the R-squared for financial behavior (FB) is 0.704, suggesting that around 70 percent of the variations in how families save, spend, and manage money are accounted for by these migration factors and economic activities. These R-squared values are considered quite robust in social science research, showing that the model employed in this study effectively explains the reasons behind and mechanisms of the changes in the economic and financial lives of migrant families following their relocation from rural to urban settings.

Table 7 F²

	EF -> EA	EF -> FB	EO -> EA	EO -> FB	IIS -> EA	IIS -> FB	LBS -> EA	LBS -> FB	SLC -> EA	SLC -> FB
Original sample	0.499	0.512	0.366	0.513	0.351	0.487	0.426	0.567	0.38	0.486

Table 7 displays the F-square (F^2) values, which indicate how much each migration-related factor contributes to predicting economic activity and financial behavior among migrant households. F^2 reflects the strength of the effect that each independent variable (such as education facilities, employment opportunities, income sources, basic services, and land scarcity) has within the model. Generally, F^2 values of 0.02, 0.15, and 0.35 represent small, medium, and large effects, respectively (“Evaluation of Structural Equation Models Using the Partial Least Squares (PLS) Approach,” 2010). In this study, most F^2 values ranged from 0.351 to 0.567, indicating medium to large effect sizes. For instance, education facilities have an F^2 value of 0.499 for economic activity and 0.512 for financial behavior, signifying a strong influence on both outcomes. Similarly, employment opportunities show effect sizes of 0.366 (ECON) and 0.513 (FB). Other factors such as inadequate income sources, lack of basic services, and land scarcity for cultivation also exhibit moderate to large effects on economic activity and financial behavior, with values ranging from 0.351 to 0.567. These findings suggest that all the migration drivers examined significantly contribute to understanding changes in the economic activities and financial behavior of migrant families following their move from rural to urban areas. This underscores the importance of these factors in comprehending the real-life adjustments faced by migrant households.

Figure 2 shows the path analysis of how different reasons for migration from rural to urban areas affect migrant families' economic activities and financial behavior in Lumbini Province. In the diagram, each blue circle represents a key factor in the study. These include Employment Opportunities, Lack of Basic Services, Inadequate Income Sources, Education Facilities, and Scarcity of Land for Cultivation. Each of these factors is measured using several survey questions (the yellow boxes).

The arrows between the blue circles show how these reasons are linked. For example, all five main reasons (EO, LBS, IIS, EF, SLC) point to Economic Activity (EA), which includes activities like changing jobs or starting a business after migration. The numbers on each arrow indicate the strength of the relationship; a larger number means a stronger influence. For instance, Education Facilities have a strong effect on Economic Activity (0.421) and also influence Financial Behavior (0.304).

Financial Behavior (FB) is at the end of the chain and represents how families manage money, such as saving, borrowing, or spending. All main reasons, along with Economic Activity, have arrows pointing to Financial Behavior, indicating how each one can directly influence it. The blue numbers in the large circles, like 0.653 and 0.721, show the proportion of variation in economic activity and financial behavior that these factors can explain. This means the model accounts for about 65 percent of changes in economic activity and roughly 72 percent of changes in financial habits.

Overall, this path analysis clearly shows that when families migrate due to poor services, lack of jobs, insufficient income, limited education, or inadequate farmland, these factors initially affect the types of jobs and work they engage in Economic Activity, and then influence how they save, spend, and manage money Financial Behavior. This enables us to understand not

only why people move but also how their daily lives and financial habits change after migration.

Figure 2 Path Analysis

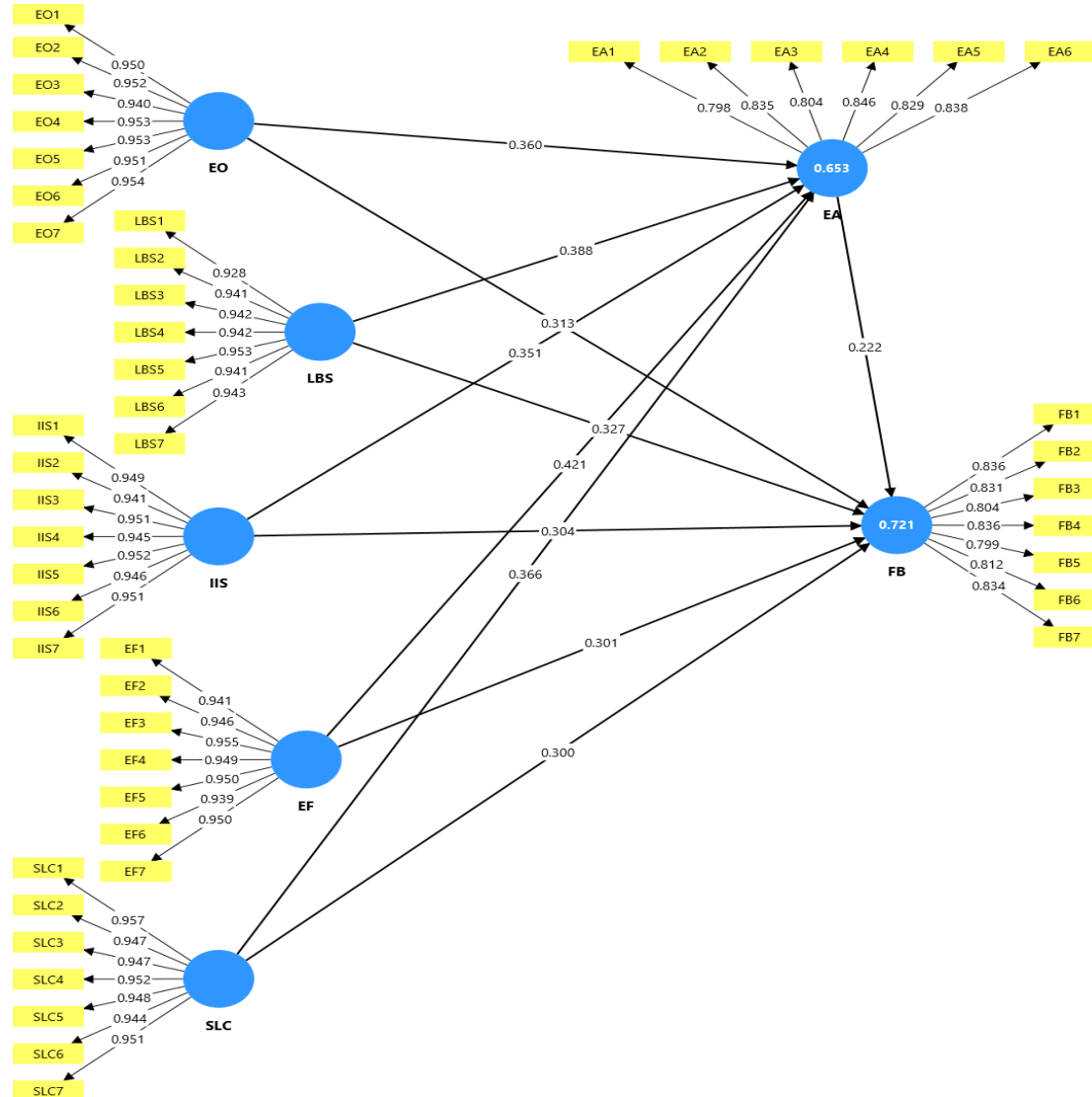


Table 8 Hypothesis Test

	β	Mean	T-value	P values	2.50%	97.50%	Decision
EF → FB	0.395	0.395	14.106	0.001	0.339	0.449	Supported
EO → FB	0.393	0.393	13.286	0.001	0.334	0.451	Supported
LBS → FB	0.413	0.413	13.935	0.001	0.355	0.471	Supported
IIS → FB	0.382	0.382	13.634	0.001	0.329	0.438	Supported
SLC → FB	0.382	0.381	12.864	0.001	0.325	0.442	Supported
EO → EA	0.359	0.359	12.317	0.001	0.302	0.415	Supported
LBS → EA	0.388	0.388	12.898	0.001	0.33	0.447	Supported
IIS → EA	0.351	0.351	12.007	0.001	0.292	0.407	Supported
EF → EA	0.422	0.422	14.84	0.001	0.365	0.476	Supported



SLC -> EA	0.366	0.365	12.53	0.001	0.309	0.423	Supported
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Education Facilities (EF) → Financial Behavior (FB)

The relationship between education facilities and financial behavior is significant (Beta = 0.395, T = 14.106, $p < 0.001$, CI: 0.339–0.449), demonstrating education's crucial role. Rural areas in Nepal generally have basic or poor-quality schools, few teachers, and limited resources. As a result, children have few opportunities for higher education or skills training. This lack of good education encourages families to migrate to urban centers in the hope of better schooling for their children. However, when many migrate, urban schools can become overcrowded, and not every migrant family can access high-quality education due to financial constraints or city policies. This means while some benefit, others may feel excluded. Ultimately, access to better education in the city is closely linked to how families plan and manage their finances, prioritizing school fees, supplies, and private tuition, which significantly influences their financial behavior. Therefore, the gap in rural education acts as both a “push” factor driving migration and a challenge for urban integration, shaping household money management among migrants.

Employment Opportunities (EO) → Financial Behavior (FB)

Employment opportunities positively influence financial behavior (Beta = 0.393, T = 13.286, $p < 0.001$, CI: 0.334–0.451). Jobs are limited in rural Nepal, where farming is the main activity and there are few factories or modern businesses. This results in widespread poverty and the migration of youth and workers. When moving to urban areas, migrants hope to find better jobs and higher wages. However, cities often cannot provide enough employment for all newcomers, leading to competition for low-wage or insecure informal jobs. In both rural and urban settings, the availability and type of job opportunities greatly influence how families earn, spend, and save money. In cities, stable employment frequently encourages the systematic use of banks and savings plans, but uncertainty can also lead to stress or risky financial behavior. Rural opportunities are mainly limited by underutilized human capital, while urban centers face challenges with a saturated job market. Overall, whether or not good jobs are found significantly shapes household financial planning.

Lack of Basic Services (LBS) → Financial Behavior (FB)

The lack of basic services is a strong predictor of financial behavior (Beta = 0.413, T = 13.935, $p < 0.001$, CI: 0.355–0.471). Rural communities face chronic shortages of essential services, such as healthcare, clean water, electricity, and transportation. These deficiencies create insecurity and force families to make difficult choices about spending on water-trucking, private healthcare, or generators that can drain their resources. Moving to urban areas offers access to better infrastructure, but this sudden exposure to city living brings higher rent, increased utility bills, and urban healthcare costs, all of which create new financial pressures. Often, cities struggle to keep pace with rapid population growth, leading to expanding slums or failures in service delivery. Therefore, while urban migration aims to “escape” rural deprivation, it introduces new expenses and competition, requiring families to continually adapt their financial behavior. Opportunity loss in rural areas involves missed potential for



development, whereas urban areas risk overstretched resources and unsustainable living conditions.

Inadequate Income Sources (IIS) → Financial Behavior (FB)

Inadequate income sources significantly influence financial behavior (Beta = 0.382, T = 13.634, $p < 0.001$, CI: 0.329–0.438). Most rural families in Nepal rely on seasonal farming, daily wage labour, or remittances, but few alternative income sources are available. This instability pushes households into poverty traps and encourages migration to cities. Upon arrival, migrants often discover that urban living is costly and a steady income is not assured, with many taking casual, low-paid jobs or running small businesses. In both rural and urban areas, income uncertainty affects how households manage money, save, borrow, or invest, potentially leading to either conservative or risky financial behavior. Lost opportunities in rural regions include the failure to diversify income sources, while cities face the challenge of integrating new workers and supporting varied livelihoods. The transition requires households to rethink priorities between essentials and savings or investments.

Scarcity of Land for Cultivation (SLC) → Financial Behavior (FB)

A scarcity of arable land directly influences financial behavior (Beta = 0.382, T = 12.864, $p < 0.001$, CI: 0.325–0.442). In rural Nepal, farm plots are small, fragmented, and often unproductive making sustained agriculture difficult. Families with little or unprofitable land face food insecurity, limited farm income, and struggle to make ends meet, prompting migration to urban centers. The absence of reliable rural land income forces migrants in cities to adopt different economic strategies: shifting to urban jobs, opening small shops, or investing in education and skills for better employment. Rural opportunity loss revolves around abandoned farmland and dwindling food production, while urban areas must cope with integrating people whose skills are not always easily transferable to city economies. For both, this variable triggers changes in how money is saved, spent, or invested, with former farmers now having to navigate urban financial systems and develop new habits.

Employment Opportunities (EO) → Economic Activity (EA)

Employment opportunities significantly boost economic activity (Beta = 0.359, T = 12.317, $p < 0.001$, CI: 0.302 - 0.415). A lack of rural jobs confines economic activity mainly to subsistence farming or informal labour. When families migrate, the urban job market provides a broader range of economic opportunities, from formal sector jobs to entrepreneurship. However, the rural-to-urban transition involves risks; city job markets can quickly become saturated with newcomers, and not all migrants secure suitable employment. In rural areas, a lack of opportunities directly results in low productivity and stagnant economies. In urban areas, increased economic diversity also raises competition, which can lead to higher unemployment or underemployment. For migrants, this means greater flexibility but also the constant challenge of adapting to new economic environments.

Lack of Basic Services (LBS) → Economic Activity (EA)

A lack of rural services drives economic activity after migration (Beta = 0.388, T = 12.898, $p < 0.001$, CI: 0.33 - 0.447). When basic services are absent in rural Nepal, it restricts what people



can achieve there with few opportunities for job creation and limited scope for economic growth. Migration often serves as a survival strategy to access better schooling, healthcare, and infrastructure that support broader economic activity. In cities, this results in growth in urban labour markets and businesses, but also increases pressure on public services and infrastructure. The influx can create jobs but may also overburden resources, lowering the quality of life for all. The difference between what rural areas lack and what cities provide becomes both a catalyst for change and a source of new challenges.

Inadequate Income Sources (IIS) → Economic Activity (EA)

Insufficient rural income options influence the economic activity of migrants (Beta = 0.351, T = 12.007, $p < 0.001$, CI: 0.292 - 0.407). Rural families generally depend on risky and low-paid livelihoods. This compels many to move in search of stable or higher-paying work. Once in urban areas, migrants participate in a wider range of economic activities: factory work, services, and informal trade. In rural areas, the lack of options limits economic behavior, often reinforcing cycles of poverty. In rapidly expanding cities, migrants' diverse experiences generate new business opportunities but can also saturate sectors, decreasing wages and job security. The result is ongoing economic adaptation, posing challenges for both rural development and urban sustainability.

Education Facilities (EF) → Economic Activity (EA)

Educational facilities have a strong impact on economic activity (Beta = 0.422, T = 14.84, $p < 0.001$, CI: 0.365 - 0.476). Limited educational opportunities in villages confine residents to basic agricultural or unskilled labour. Migration to cities with better schools and colleges allows both children and adults to develop skills, enhancing their economic prospects. In rural areas, this "brain drain" benefits city economies but weakens local communities. For urban areas, hosting educated and aspiring migrants presents both opportunities and resource challenges: schools, colleges, and job markets must keep up with the growing population. Overall, good education fosters more vibrant, dynamic economic activity, but only if there are sufficient job opportunities in the recipient areas.

Scarcity of Land for Cultivation (SLC) → Economic Activity (EA)

A lack of farmable land heightens economic activity shifts following migration (Beta = 0.366, T = 12.53, $p < 0.001$, CI: 0.309 - 0.423). When families do not have enough or good-quality land, farming becomes unprofitable, creating a strong incentive to move to urban areas for non-agricultural work. In rural areas, this results in abandoned land and declining productivity. In cities, migrants bring diverse skills, often starting new businesses or joining existing workforces. However, they may find it hard to secure jobs that match their rural experience, leading to periods of unemployment or underemployment. The loss for rural regions is a hollowed-out agricultural sector; for cities, it is the challenge of integrating new economic actors effectively. Each change causes major shifts in economic activity and family income strategies.

Table 9 Mediation Analysis

	β	SD	T-value	P values	2.50%	97.50%
EF > EA -> FB	0.094	0.022	4.347	0.001	0.054	0.137
EO > EA -> FB	0.080	0.018	4.358	0.001	0.047	0.119
IIS > EA -> FB	0.078	0.018	4.323	0.001	0.045	0.115
LBS > EA -> FB	0.086	0.020	4.410	0.001	0.050	0.127
SLC > EA -> FB	0.081	0.019	4.391	0.001	0.047	0.119

Education Facilities → Economic Activity → Financial Behavior

When families in rural areas lack good schools and move to cities for better education, this does not directly change their financial habits. Instead, it first alters the types of economic activities they engage in, such as studying, jobs, and business, which then leads to improved ways of using and managing money. Therefore, in areas with poor schools, relocating to a city boosts educational opportunities, opening up new avenues to earn and spend, which results in smarter financial behavior.

Employment Opportunities → Economic Activity → Financial Behavior

If a village has few jobs, people are compelled to migrate for work. In the city, new jobs or businesses are the primary benefit. This shift in “economic activity” then encourages households to save more, use banks, or plan their expenses more effectively. The main effect is not just the move to the city but also obtaining the job or income first, and that change leads to better money management.

Inadequate Income Sources → Economic Activity → Financial Behavior

When families cannot earn enough income in the village, they move to the city. There, they try new types of work not just farming. It is the shift in economic activities, such as factory work, retail, or services, that helps families increase savings, access credit, and gain better control over their money. Here, economic activity acts as a vital step between the lack of income in the village and developing good money habits after migration.

Lack of Basic Services → Economic Activity → Financial Behavior

Villages with poor healthcare, water, and roads drive migration. But again, once in the city, it's not just the better hospitals or utilities that shape new money habits. It's mainly about the new urban employment better-paying, more regular jobs, micro-businesses. These jobs make it possible to spend on health, pay bills, save for emergencies, and consequently, alter overall financial behavior.

Scarcity of Land for Cultivation → Economic Activity → Financial Behavior

With shrinking farmland, many families see no future in agriculture. When they migrate, most switch from farming to jobs and businesses in the city. This change in occupation is necessary before they can earn, spend, and save differently. Without land, they need city work first; only then can their financial habits truly change.

Qualitative Data Collection and Analysis

Semi-structured interviews were conducted with 33 purposively selected participants to explore migration motives, occupational transitions, changes in financial behavior, and social



integration. Interviews were conducted in Nepali or local languages, lasted 45 - 60 minutes, and were audio-recorded with consent. Interviews were transcribed verbatim and analyzed using thematic analysis following (Braun & Clarke, 2006). The process involved multiple close readings of transcripts, open coding to identify initial concepts, axial coding to group related codes into categories, and selective coding to develop core themes.

To enhance rigor, member checking was employed: participants reviewed summaries of key findings to confirm accuracy and representativeness. For inter-coder reliability, two researchers independently coded a subset of interviews, and coding consistency was assessed through discussion to resolve discrepancies, though a formal statistical measure, e.g., Cohen's kappa was not calculated. This approach ensured that the qualitative findings were grounded in participants' experiences and enhanced the credibility of the analysis.

Migration Motives and Decision-Making

The analysis revealed that migration from rural areas to cities in Lumbini Province was driven by a combination of push and pull factors. Families faced challenges such as small landholdings, limited and irregular job prospects, poor access to quality education and healthcare, and weak infrastructure in rural villages. These issues served as push factors. Conversely, cities provided better employment opportunities, schools, healthcare, and infrastructure, which acted as pull factors. One participant shared, "Our farm gave food for only a few months. We sold it and moved to the city to try a small business." Many parents believed that relocating to the city would enable their children to access superior education, which became a compelling motivation. Migration decisions were rarely made by individuals alone; they were typically collective family choices. Families discussed potential risks and benefits before deciding to move. The stories clearly demonstrated that most families moved after careful consideration, hoping for a better future in the city, even though they recognized that the move involved challenges.

Occupational Transitions and Economic Adaptation

Moving to urban areas brought significant changes in how migrant families earned their livelihoods. Before migrating, most families engaged in small-scale farming or informal work. After migration, they took up new types of jobs, such as construction, running small shops and tea stalls, and factory work, especially in garment production. Although urban jobs were often more physically demanding, participants noted that wages were more consistent and sometimes higher than in the village. Importantly, urban migration opened up new opportunities for women. Many women, for the first time, entered formal employment sectors, particularly in garment factories and food service roles. Young people in migrant families often took vocational training courses to improve their skills and secure better jobs in the city. However, older migrants found it harder to obtain stable employment and often remained in the informal sector, doing casual labour or small business activities. These findings highlight both the opportunities for economic growth and the challenges migrant families faced while adapting to the urban job market. The shift from agriculture to various urban jobs reflects the flexibility and adaptability needed for migrants to thrive in a new environment.



Financial Behavior and Adaptation

Migration to urban areas also brought significant changes in how families managed their finances. In rural settings, it was uncommon for families to use banks or formal savings methods. However, after moving to the city, most households opened bank accounts within two years. Living in the city required families to handle higher daily expenses, such as rent, food, school fees, and healthcare. These costs compelled them to be more cautious with saving and budgeting. Many participants started using digital financial services, including mobile banking and digital wallets. One construction worker said, “In the village, I never used banks. Now, my salary goes straight into my digital wallet.” Additionally, many families joined savings groups or cooperatives, which allowed them to save collectively and access small loans when needed. Still, even with these formal financial tools, most migrants continued to rely on informal borrowing from relatives, friends, and community networks, especially during emergencies. For example, one participant shared how their mosque committee provided a loan during a medical emergency. These examples demonstrated that while migrants adapted to modern financial systems, they still depended on traditional financial support networks. Migration transformed their financial habits, but community-based practices remained vital in their daily lives.

Social Integration and Community Networks

Adapting to city life also meant building new social connections while maintaining strong ties with their rural origins. Migrant families often relied on existing networks of people from their home villages for help with housing, job opportunities, and emotional support. Ethnic and religious groups became a vital part of their city life, offering both practical assistance and a sense of belonging. Despite living in urban areas, many migrants kept ownership of their farmland in the village. They often rented it out to others or returned during festivals and farming seasons. This ongoing connection with their rural homes sometimes caused differences of opinion within families. Older family members valued the link to the village and preferred returning for visits, while younger members often focused on settling in the city and building a new life. These findings show that migration did not erase social and family bonds but reshaped them. Migrant families developed a dual sense of belonging connected to both the city and the village. Their social lives reflected this balance, combining new friendships and networks in the city with their traditional ties back home. This dual attachment shaped how they lived and adapted in their new environment.

Integration with Quantitative Findings

The insights gained from qualitative interviews and focus groups helped us better understand the patterns identified in the quantitative survey. For instance, the survey revealed that many migrants transitioned from farming to non-agricultural jobs in the city. The interviews clarified how this shift occurred through acquiring new skills, adjusting to different work conditions, and embracing new types of employment. The survey also indicated that education was a significant factor driving migration. This was supported by parents’ stories in interviews about the sacrifices they made to send their children to better schools. The sale of rural land and

investment in small city businesses, as reflected in the survey data, were further explained in interviews where families discussed their desire for more stable incomes. Finally, both the survey and interviews demonstrated that community networks continued to play an important role in migrants' financial lives. The combination of quantitative data and personal stories painted a clearer picture of how migrant families adapted socially and economically. Together, these findings underscored that behind every number in the survey, there were real-life struggles, choices, and adaptations made by migrant families as they settled into urban life.

Table 10: *Summary of Key Qualitative Themes and Findings*

Main Themes	Sub-Themes / Focus Areas	Key Findings / Examples
Migration Motives	Push Factors (Poverty, Lack of Services)	Small farms, poor jobs, no healthcare "Our farm gave food for only a few months."
	Pull Factors (Urban Opportunities)	Hope for better jobs, education "We moved for our children's schooling."
Occupational Changes	Shift to Urban Jobs	From farming to construction, small trade, garment factories
	Women's Entry into Workforce	First-time employment in factories, cafes.
	Youth Skill Development	Vocational training, new job opportunities
Financial Behavior	Use of Formal Financial Systems	Bank accounts, digital wallets "Now my salary goes to my digital wallet."
	Continued Informal Borrowing	Reliance on friends, relatives, religious groups.
	Group Savings and Cooperatives	Community saving groups for emergencies
Social Integration	New Urban Social Networks	Ties with ethnic/religious groups for support
	Dual Attachment to City and Village	Keeping village land, visiting for festivals
	Intergenerational Differences	Older people want village ties; youth prefer city life
Link to Quantitative Data	Employment Shift Explained	Supports survey data on job change
	Education Aspiration Confirmed	Explains survey findings on education focus
	Financial Adaptation Patterns	Confirms mixed formal/informal finance habits
	Community Support Highlighted	Matches with quantitative patterns

5. Discussion

This study aimed to examine how rural-to-urban migration in Lumbini Province, Nepal, affects the economic activities and financial behaviors of migrant households. The research focused



on key drivers of migration, employment opportunities, lack of essential services, limited income sources, education facilities, and land scarcity for cultivation, analyzing their direct and indirect impacts on economic activity and financial behavior. Both quantitative data and qualitative insights helped us understand how migration transforms families' lives beyond mere relocation.

The findings showed that all five migration drivers significantly influenced both the economic activities and financial behavior of migrant households. The analysis revealed that the migration process involves more than just relocating; it also encompasses changing ways of earning, saving, spending, and adjusting to a new environment. In particular, access to educational facilities and the lack of basic services emerged as the most influential factors affecting financial behavior. Additionally, economic activity played a crucial mediating role, connecting migration drivers to alterations in financial habits.

The study confirmed that migration acts as a survival and adaptation strategy for rural families facing limited job opportunities, low income, and inadequate services. Moving to cities provided access to various economic activities such as factory work, business ventures, and formal employment. These new sources of income helped families adjust their financial habits, including saving money, using banking services, and budgeting carefully. However, migration also introduced challenges like high living costs, unstable jobs, and social adjustment pressures. Migration changed not only employment status but also how families managed their finances. The move from irregular rural income to more stable urban earnings necessitated new financial practices, such as formal saving, borrowing from cooperatives, and using digital payments. This supports the New Economics of Labour Migration (NELM) theory, which states that migration is a household strategy to enhance economic security and minimize risks.

Our findings reinforce previous research in Nepal and other countries. For example, the strong link between employment opportunities and financial behavior aligns with Fennell et al. (2018) and Subedi et al. (2022), who found that improved urban job prospects encourage migration and influence financial habits. Similarly, the connection between limited income sources and migration is supported by Cui et al. (2024) and Joseph et al. (2025), who demonstrated that unstable rural incomes prompt families to seek better livelihoods elsewhere.

The study also supports Czaika et al. (2021) and Garcés-Mascreñas and Pastore, (2025) concerning the role of education in migration decisions. Our results show that families migrate to cities for better education, which subsequently affects their financial priorities. This finding agrees with earlier research but offers new evidence from Lumbini Province.

The lack of basic services as a push factor aligns with the findings of Hoffmann et al., (2019) and “Neither Rural nor Urban” (2010), highlighting that the absence of rural services urges people to move to urban centers. However, our study expands on this by showing how this migration affects families' spending habits, particularly on health, utilities, and education in urban areas.

The scarcity of land for cultivation also acts as a major driver of migration, supporting the work of Ghimire et al. (2025) and Ghimire et al. (2023). Our findings are consistent with those of



Sunam et al. (2025) and Pun et al. (2024) who emphasized that fragmented and low-yield land push people towards cities. Unlike previous studies, our research demonstrates how land scarcity not only prompts migration but also leads to significant changes in economic activities and financial behaviors.

Consistent with Haan (1999) and Kelly et al. (2025), we observed that weak rural economic activity encourages migration. Our study confirms that after moving, families engage in various urban jobs, supporting the idea of economic adaptation. However, unlike previous research, our mixed-method approach highlights how these changes influence household financial habits in the long term.

Furthermore, the findings reaffirm insights from Kalantari et al. (2024), Seshan and Yang (2014) and Solomon et al. (2024) regarding the changing financial behavior of migrant households. Our study highlights that migrants often transition from informal financial practices to formal banking and digital transactions after relocating. This transition supports the theory that migration improves financial inclusion and literacy over time.

The mediating role of economic activity identified in this study echoes the work of Bogdan (2024) and Kutor and Oklikah (2025), who argued that migration alters how families engage in economic life, influencing their financial choices. Our study provides direct evidence that economic activity acts as a bridge between migration drivers and financial behavior, an area less examined in previous research.

5.1 Practical Implications

The findings have significant implications for policymakers and development planners. First, tackling rural development challenges such as unemployment, limited services, and lack of income sources could help reduce forced migration. Improving education, healthcare, and economic opportunities in rural areas might enable families to stay and prosper locally.

Second, urban policymakers should plan for the integration of migrant families, especially by enhancing job markets, affordable housing, and public services. Recognizing that migration influences financial habits means programmers should promote financial literacy, savings schemes, and microfinance access for migrant communities.

Third, community organizations and NGOs can support migrant families in adapting, particularly in financial areas such as savings, cooperative memberships, and access to credit. Recognizing the duality of financial behavior formal banking and informal community backing can aid in designing more inclusive financial programmers.

5.2 Study Limitations

This study is limited to Lumbini Province, and its findings may not be applicable to all regions of Nepal or other countries. The sample included households with migration experiences of 1 to 10 years, which may not reflect the perspectives of long-term or recent migrants. Additionally, although mixed methods were employed, the number of qualitative interviews was limited, and broader regional coverage could provide more comprehensive insights. Finally, the study concentrated on financial behavior and economic activity, excluding other



relevant aspects such as social integration, psychological effects, or gender-specific challenges, which future research might explore.

5.3 Recommendations for Future Research

Future studies could extend this research to other provinces or conduct a national-level analysis. Comparing different urban centers may help identify location-specific migration impacts. Longitudinal studies tracking migrant families over time would provide insights into long-term changes in financial behavior and economic adaptation. Further research could also explore gender differences in financial behavior after migration and examine the role of community networks in financial adaptation.

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