



Remittance-Driven Urbanization and Institutional Disconnect: Evidence from Dang District, Nepal

Er. Bikram Babu KC

Ph.D Scholar

Dr. K.N. Modi University, Rajasthan, India

Lecturer, REC ,Pokhara University, Nepal

bikram.babu11@gmail.com

<https://orcid.org/0009-0008-2060-1395>

Dr. Himanshu Yadav

Assistant Professor

HOD ,Department of Civil Engineering

Dr. K.N. Modi University, Newai Rajasthan, India

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Abstract

Context: Remittances account for 26.2% of the Nepalese GDP but little is known regarding their effects on secondary cities and institutional strength. The case study of Dang District showcases the trend of rapid urbanization driven by remittances in areas of poor governance.

Objectives: Investigate the manner in which remittance trends affect physical and socioeconomic aspects of urbanization in secondary cities; analyze disconnects in institutional management and policy alignment in urban settings.

Methodology: Secondary data synthesis of ethnographic data (2021–2023); municipal data (2005–2023); satellite images (2005, 2023); national data and policies, thematic analysis of 12 wards within Ghorahi and Tulsipur Municipalities.

Results: The built-up area of Ghorahi increased from 2.8 km² (2005) to 8.6 km² (2023), marking an increase of more than 200%, while land prices were 600–800% higher. About 84% of residential growth was informal. There was low coverage of services: piped water (68%), sewerage system (35%), and solid waste collection (52%). Four disconnects in institutions were found: planning–practice, service provision, governance, and socio-spatial.

Conclusion: Rapid informal urbanization fueled by remittances outpaces municipal institutional capacity. To overcome disconnect, investments in migration should be incorporated into official planning procedures and services provided in alignment with actual growth.



Keywords: Institutional capacity; Nepal; Remittances; Secondary cities; Urbanization

Introduction

Nepal is an interesting, unexplored case of South Asian urbanization, with the flow of international migrants and remittances altering spatial and socio-economic patterns of secondary urban centers in a context of weak institutional capacity. In recent years, remittances have become a major factor of the national economy (26.2% GDP) and about 2.17 million Nepali are working in foreign employment mostly in the Gulf countries and Malaysia (World Bank, 2024; Nepal Rastra Bank, 2023). This structural dependence is both the absence of employment opportunities in the domestic market and the process of integrating the Nepali labor force into international production processes, particularly in the construction sector, but also in the agricultural and services sectors.

The outcome of this research has come into view through a combination of qualitative and quantitative information on or after ethnographic, administrative evidence in addition to local analyses. Therefore, estimates should be taken as understanding in characters about the context-based triangulation; not as main statistical measurements. Dang District of Lumbini Province is an example of such dynamics. Based on data from municipality, satellite, national, and reanalysis of previously published ethnographic reports, recent sources suggest that municipalities such as Ghorahi and Tulsipur have changed physically since the 21st century. For example, the built-up area of Ghorahi in 2005 was approximately 2.8 km², but it had risen to 8.6 km² in 2023, an increase of more than 200%. During the same period, the price of land in the major cities has risen by an estimated 600-800 percent. However, this rapid urban growth has taken place in the context of weak institutional boundaries. Available studies and administrative details indicate that municipal planning structures are hardly put in place, with approximately 84% of residential development occurring informally outside of formal regulatory mechanisms. Similarly, infrastructure arrangements have been unable to catch up with population growth, with poor access to water supply, sewage, and solid waste management services. These trends point to a widening disparity between the speed of urban growth and the ability of institutions charged with the management of local government operations to control and manage development.

This analysis defines such fragmentation as institutional disconnect - a structural reality in which governance systems are unable to adequately respond to such intense, externally driven urbanization processes. Rather than considering this fragmentation casually, it is understood as the outcome of the interaction of decentralized systems of governance, limits of financial and technical capacity, and the international flows of capital consequent to migration. In this context, remittance-driven urbanization is bringing forms of development which are often informal, fragmented, and weakly integrated with formal planning systems.

Research Gap and Objectives

Despite growing interest in the relationship between migration and development, there is still a lack of knowledge on how the flow of investment in medium-sized cities alters urban governance, spatial inequalities, and institutional performance. Much of the existing literature



still focuses on a macroeconomic perspective or is limited to household-level analysis, often neglecting the analysis of meso-level interactions between migrants, urban development processes and local institutions.

Addressing this gap, in the present study, a secondary qualitative analytical strategy is adopted integrating the evidences gathered from previous researches on the subject, comprising of ethnographic studies, policy documents, municipal records, local analyses, by investigating the relation between the remittance-driven urbanization and institutional capacity in the case of Dang District. Specifically, the research questions that will guide the research are as follows:

- i. What are the roles of remittance flows in the physical and socio-economic urbanization in secondary urban centres?
- ii. Which dimensions of institutional disconnect are at work in the municipality administration in the light of remittance-driven urbanization?
- iii. Which policy and administrative systems may be more helpful in the alignment of urban development processes with institutional capacities and equitable and sustainable outcomes?

To answer these questions, the research uses the frameworks of migration-urbanization theory (Skeldon, 2008; Tacoli, 2017), subaltern urbanization (Roy, 2009), international development (Smith & Guarnizo, 1998), and political economy of remittances (de Haas, 2010) to cite and reinterpret pre-existing empirical evidence. The synthesis of these perspectives demonstrates the nature of the interaction between migration-based capital flows and localized governance arrangements that provides an unequal pattern in the case of urban growth.

Remittances and Urbanization in the Global South

Literature is increasingly recognising the transformative role that remittances have played in low- and middle-income country development. Early research focused on poverty reduction and improving household consumption (Stahl & Habib, 1991; Adams & Page, 2005); more recent studies examine productive investment and entrepreneurship (Acosta et al., 2008; Woodruff & Zenteno, 2007); while also raising questions about inequalities in both distribution and spatial locations (de Haas, 2010; Tacoli, 2009). The urbanisation effects of remittances require special attention. Skeldon and Tacoli (2008; 2017) show that remittances are often concentrated in the secondary cities and towns, where migrant networks are thickly built, and where real estate is still affordable to middle income investors. This phenomenon differs greatly from that of industrial urbanisation, characterised by real-estate speculation and consumption-oriented growth patterns, and by diffuse capital patterns. Remittance induced urbanisation is transnational in nature (Tacoli, 2009), in which households maintain both rural and urban economic roles at the same time, which has created complexities in the traditional rural-urban dichotomy and produced governance challenges that are usually difficult for formal municipal institutions to manage.

Roy's (2009) concept of subaltern urbanism provides a useful theoretical framework. In situations characterised by low state capacity and inflexible regulatory regimes, marginalised groups, including migrants, build alternative urban economies creating an external environment for formal planning systems. Rather than dismissing these developments either as



aberrant or temporary, subaltern urbanism recognises these developments as legitimate urban production that deserve analytical recognition and political inclusion. This framework aptly articulates remittance-driven urbanisation, where Capitalists often avoid asset registration processes and building regulations and land use policies and relying on informal networks, broker mediated transactions and customary practices.

2.1 Decentralization, Fiscal Federalism, and Institutional Capacity

Following the restructuring of Nepal into a federal state in 2015, a large amount of authority was devolved to municipalities (this includes urban planning, land management, infrastructure provision and social welfare) without being accompanied by fiscal transfers and capacity building. Bardhan and Mookherjee's (2006) analysis of South Asian fiscal federalism sheds light on the regular occurrence of disconnection of institutions under such arrangements: Subnational governments inherit mandates but lack adequate financial resources, technical expertise and institutional legitimacy to discharge them satisfactorily. As a result of urbanisation being accelerated by external factors such as the inflow of remittances, these governance capacity gaps become very large, leading to phenomena like those in Dang, where planning and practice are out of sync, service delivery fails, and governance is not coherent.

2.2 Conceptual Framework: Four Dimensions of Institutional Disconnect

The combination of these theoretical approaches lets us theorize institutional disconnection, which manifests in four dimensions that are interdependent: (1) Planning misalignment to practice- There is a disconnection between the formal plans of urban areas and their actual development; (2) Service delivery inequalities- The infrastructural provision keeps pace with population increase; (3) Governance disparities- The overlapping jurisdictions and poor coordination between agencies; (4) Socio-spatial inequality- The wealth concentrations as a result of remittances create new spatial inequalities. These dimensions support each other: the informal development undermines planning control; thus, putting a strain on service systems; in a divided governance undermines coordinated service growth; spatial inequality enhances political fragmentation; institutional coherence is undermined further by political division. All these dynamics are a threat to sustainable and equitable urbanization.

Study Area Description

Dang District is located in western Nepal's Lumbini Province and is a good example of remittance-facilitated urbanisation in secondary urban centres. With a population of around 400 thousand, the district shows a strong migration dependence: it is estimated that 26-35% of the households receive international remittances from other countries (National Statistics Office, 2021; ILO/IOM, 2022-2023), as data of the 2021 national census showed. This pattern is congruent with the regional and national trends, making Dang a relevant place for studying a migratory related urban transformation and concurrent governments issues.

The research area is the municipalities of Ghorahi and Tulsipur. Ghorahi is the administrative centre and main commercial centre of the district and Tulsipur is a secondary urban centre having strong agricultural linkages. Both municipalities have been growing rapidly since 2000, with remittance-financed property investments and consumption being the main sources of growth. Ghorahi's built up area has grown from 2.8 kilometers squared in 2005 to 8.6 km² in



2023 with the price of land in the centre going up by 600 -800 % in the same period (prior studies, 2021 - 2023; municipal records; satellite imagery). The research covers six wards in both municipalities, all of which are carefully chosen to represent a variety of urban development patterns, from central commercial areas where major growth is taking place, to fast-growing residential areas on the periphery, to mixed-use neighbourhoods.

The choice of Ghorahi and Tulsipur is based on a number of criteria: both represent examples of secondary urban centres, where effects of remittance are strong but institutional responses weak; municipal administrative records are available to analyse documents; there was previous ethnographic contact, permitting access to the field and establishment of rapport in the community; and satellite and GIS data were available for spatial analysis of urban expansion.

Data and Methods

Research design.

This paper chose a secondary qualitative synthesis based on an interpretive orientation. There was no major field-work. The aim was to re-examine available empirical evidence on remittance-related urban change in Dang District, and to explore its impact on municipal governance capacity.

Study Area

It was analysed in Ghorahi Sub-Metropolitan City and Tulsipur Sub-Metropolitan City in Dang District, Lumbini Province. In every municipality, six wards were chosen to reflect diversity in urban development: central commercial cores, fast-growing, peri-urban residential neighborhoods and mixed-use transitional neighbourhoods. The selection of wards was determined by spatial coverage of previous ethnographic research and access to municipal documents.

Table 1. Summary of secondary data sources

| Data type | Sources included | Period | Analytical use |
|-----------------------------|---|---------------|---|
| Ethnographic studies | Published studies from Dang with interview and focus group data | 2021–2023 | Lived experience of remittance investment, land brokerage |
| Municipal records | Land registers, building permits, annual profiles (Ghorahi, Tulsipur) | 2005–2023 | Informality rate, land price trends |
| Satellite imagery | Landsat and Sentinel imagery, classified built-up area | 2005, 2023 | Physical expansion quantification |
| National statistics | Census 2021, NRB, ILO reports | 2021–2023 | Migration intensity, remittance share |
| Policy documents | Provincial audits, NGO reports | 2020–2023 | Infrastructure coverage validation |

Sources of data and selection criteria

There were four types of secondary data that were gathered. The timeframe of the qualitative sources was January 2021 to March 2023, but spatial and administrative data are collected as back to 2005 to enable land-use comparison.



1. Published ethnographic studies. Peer-reviewed and graduate theses and research reports which included primary qualitative data provided by Dang such as semi-structured interviews, focus group discussions, and field observations on migration, housing investment, and land transactions. Systematic searches of NepJOL, Google Scholar, and Tribhuvan University Central Library repository were used to identify studies based on combinations of "Dang", "Ghorahi", "Tulsipur," remittance and urbanization. Only those studies that have a clear methodology section were retained.
2. Municipal and administrative documents. Ghorahi (2005-2023) and Tulsipur (2008-2023) Land registration ledgers, building permit registers, and annual municipal profiles, which were obtained via the respective municipal planning sections with formal research permission.
3. Spatial and satellite information. The USGS Earth Explorer and Copernicus Open Access Hub have provided publicly accessible satellite images of 2005 and 2023. The images were worked in QGIS in terms of supervised, maximum likelihood classification to outline the built-up and non-built-up lands. The results of classification were cross-checked with the base maps of the wards and the high-resolution Google Earth images of the same years.
4. National statistics and policy documents. Nepal Population and Housing Census 2021, Nepal Rastra bank reports on migration and remittances, ILO country briefs, provincial infrastructure audits, and NGO assessments.

Calculation of main indicators.

To enhance the transparency, the quantitative evaluations, which are reported in the Results, were calculated in the following manner.

Built-up expansion. The Ghorahi growth in 2005 of 2.8 km² to 2023 of 8.6 km² was obtained as the classified satellite layers as clipped to municipal boundaries.

Informal construction. The 84 percent estimation of residential development as informal was based on overlaying the 2023 residential building footprints on the municipal building permit database. The buildings that did not have a similar permit issued between 2005 and 2023 were considered informal. The proportions were determined on a per-ward basis in each of the twelve study wards and averaged.

Land price change. The 600-800 percent change shows the difference in median registered transaction values of residential plot in central wards between 2005-2007 cohort and 2021-2023 cohort of the land revenue records. These numbers were cross-tabulated with prices quoted in the ethnographic research.

Infrastructure coverage. Household connection rates of water supply (68%), wastewater treatment (35%), and solid waste collection (52%) are reported in municipal annual progress reports on FY 2021/22 and 2022/23, which are cross-referenced with provincial infrastructure monitoring sheets. Since there are discrepancies in ward-level reporting, these figures are not meant to be accurate survey statistics but rather provide indicative contextual measures obtained by triangulation.

Data analysis.



All the textual data were imported into NVivo 12 and it was analysed with the help of thematic analysis as described by Braun and Clarke (2006). Deductive and inductive coding approach was combined. Theoretical framework of institutional disconnect resulted in deductive codes that comprised of planning-practice misalignment, service delivery gaps, fragmented governance, and socio-spatial inequality. The inductive codes were a result of close reading of interview excerpts and field notes replicated in the source studies. The analysis took place in six steps that included familiarisation, initial coding, theme development, theme review, theme definition, and analytical synthesis. Triangulation was attained through comparison of results with ethnographic, administrative and spatial sources.

Ethical considerations.

Since the study was based solely on the publicly available or published secondary data, it did not involve direct contact with the human subjects and did not necessitate any new institutional ethical consent. All quotes of the participants are reproduced using the anonymisation used in the original studies.

Limitations.

The coverage and quality of available research, temporal mismatch between datasets, and lack of disaggregation of municipal records below the ward level restrict the synthesis. Estimates are thus to be understood as contextually based indicators instead of being statistically representative.

Results and Discussion

The fact that secondary sources are synthesized means that the remittance flows have precipitated physical and socio-economic urbanization in Dang District and municipal institutions have not been able to keep up with the change. The results are presented in terms of the four dimensions of institutional disconnect that have been identified in the conceptual framework.

Physical change and land market pressures.

Estimates by satellite and municipal authorities indicate massive growth of the built-up area in Ghorahi, which was estimated as 2.8 km² in 2005 to 8.6 km² in 2023. This is over three times more than the increase in eighteen years. The schematic pattern of this growth is shown in figure 1.

Figure 1.: Schemic Urban Expansion of Ghorahi, 2005-2023

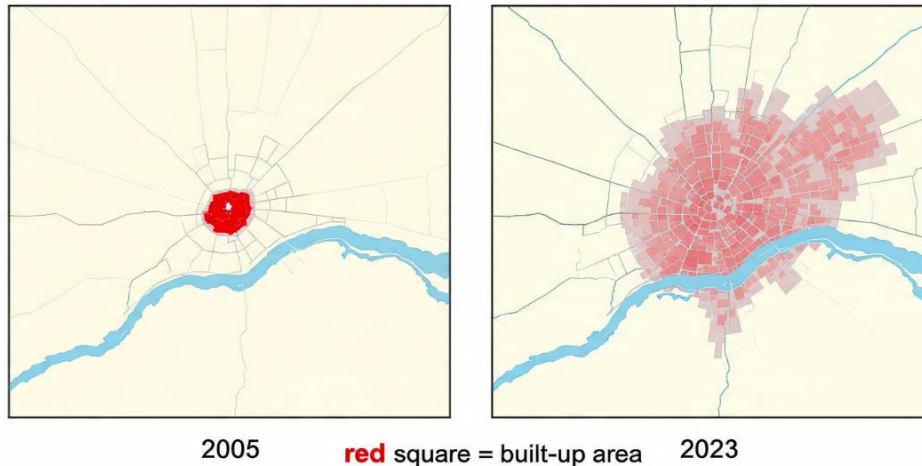


Figure 1. Ghorahi Sub-Metropolitan City Schematic Urban Expansion, 2005-2023. Red shading represents built up area. For the specific use of Landsat OLI classification, the source is the compilation of the author (based on the municipal records and secondary synthesis); the estimates are in agreement with the 82.09% built-up increase of 2013-2020 reported by Poudel and Rawat (2023).

In line with spatial development, land transaction records show a median price growth of 600-800% of residential parcels in the central wards over 2005-2007 and 2021-2023. Ethnographic reports explain this inflation by the purchases financed by remittances usually through brokers who do not work through formal planning systems.

Planning-behavior misalignment.

The overlay analysis of building footprints based on municipal permit registers shows that about 84 percent of the residential buildings built between 2005 and 2023 do not have formal building permits. It is not this informality that is spread randomly but rather it is concentrated in peri-urban wards where the remittance-receiving households have bought agriculture parcels to house them. The trend can be related to what Roy (2009) defines as subaltern urbanism where development is carried out by following traditional ways instead of official authorization.

Service delivery gaps

The annual reports on progress of the municipalities of FY 2021/22 and 2022/23 indicate that the household connection rates to piped water supply, wastewater treatment, and regular solid waste collection are about 68, 35, and 52 percent in the study wards. These numbers, combined with provincial infrastructure audit, indicate that there has been underinvestment in infrastructure compared with population growth. Excerpts of the focus groups used in the previous research always mention occasional water supply and lack of sewerage as the major issues in recently developed remittance-based neighborhoods.

Fragmented governance.

The federal devolution in place in 2015 placed urban planning, land management, and infrastructure requirements on municipalities with neither equivalent fiscal transfers nor



technical personnel. Past studies have indicated that the municipal planning section, Survey Office, and wards committees have overlapping jurisdictions, which have led to slow enforcement and application of building bylaws. This disintegration restricts the coordinated actions in response to capital inflows, which are externally induced.

Emerging socio-spatial inequalities.

Remittance investment has been focused on available road side locations and this has resulted in price induced marginalization of non-migrant households. Ethnographic literature describes that consolidation of land by broker networks has forced out tenant farmers and raised the rental charges in the core regions, and the peripheral settlements have no basic services. These processes depict the way in which transnational capital restructures local opportunity frameworks without redistributive planning tools.

Collectively, the evidence indicates that urbanization in Dang, which is being driven by remittance, is giving rise to a unique kind of secondary-city development, one that is fast, consumption-based, and much informal. The four dimensions are cumulative, where informal construction weakens planning control, which further stresses the service systems and strengthens the governance fragmentation. This structure, which is theorized here as institutional disconnection, questions traditional views of decentralization as the sole way to promote local capacity.

The results are important to the migration-urbanization discussion in South Asia as they show that even in medium-sized urban centers, the capital flows can surpass the institutional adjustment. Policy implications of the results are to consider migration in municipal land-use plans, to institutionalize broker-mediated transactions by simplifying the registration process and to synchronize infrastructure investment flows with observed settlement patterns, not master plans.

Conclusion

In this work, the authors consider remittance-based urbanization in Dang District, Nepal, and the Ghorahi and Tulsipur municipalities. It examines the reshaping of secondary cities with weak institutional capacity by international capital flows, using a secondary qualitative synthesis of ethnographic literature, municipal data, satellite image (2005-2023) and policy reports (2021-2023), published after January 2021.

Physical and socio-economic transformation has been spurred by remittances, which constitute 26.2% of the GDP in Nepal. Ghorahi, which had an area of 2.8 km² in 2005, grew to 8.6 km² in 2023, with central land prices increasing by an estimated 600-800%. About 84 percent of residential building was done without formal systems of permitting. The infrastructure has failed to keep up and they have been reported to cover only 68 percent of water supply, 35 percent of wastewater treatment and 52 percent of solid waste collection.

This discrepancy is conceptualized in the research as institutional disconnect, which is seen in four interconnected dimensions, which are planning behavior misalignment, service delivery gap, fragmented governance after federal devolution, and emergent socio-spatial inequalities. The results show that sustainable urban development in towns that rely on remittance must



involve the incorporation of migration-related investment in the formal planning process, fiscal strategy, and integrated service delivery systems.

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