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Beyond Consumption: How International Remittances Fuel Physical and Human Capital Accumulation in Rural Indonesia

Original Article

Dawit Dafar[1] Abdul Halid Latif[2*]

[1]Development Economics, Department of Economics, College of Business and Economics, Wachemo University, Hossana, Ethiopia
[2]Universitas Muhammadiyah Enrekang, Indonesia
Email: [1)]dawitdafar@yahoo.com, [2*)]abdulhalid_latif@unimen.ac.id

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Abstract

This study examines how international remittances shape long-term livelihood strategies and asset accumulation among rural households in eastern West Kalimantan, Indonesia. Despite extensive evidence on the economic benefits of remittances, limited qualitative research explores how families interpret, negotiate, and allocate these resources within their social and cultural contexts. Using a qualitative case study design, data were collected from 18 participants through in-depth interviews, participant observation, and focus group discussions. Thematic analysis was applied to identify recurring patterns in household decision-making. The findings show that remittances function as the most reliable and stable income source, enabling households to meet essential needs and gradually shift toward long-term investments. Remittances substantially contribute to physical asset accumulation, particularly housing improvements and land purchases, which families perceive as symbols of security and social progress. Significant portions of remittances are also allocated to children's education, reflecting aspirations for intergenerational mobility. Although some households attempt small-scale enterprises, these efforts often face sustainability constraints due to limited markets and managerial capacity. Remittance allocation is shaped by negotiated decision-making, gendered financial roles, and strong community expectations that prioritize visible investments such as home renovation. The study concludes that remittances operate not only as financial capital but also as social and cultural resources that reinforce identity, aspirations, and household resilience. These insights underscore the need for policy interventions that support capacity-building and enterprise development to maximize the developmental impact of remittances.

Keywords: International Remittances, Rural Households, Asset Building, Sustainable Livelihoods, Household Decision-Making

1. Introduction

International remittances have become one of the most significant financial flows supporting rural households in developing economies. In 2023 alone, global remittances to low- and middle-income countries reached an estimated USD 669 billion, with rural regions receiving a substantial share of these transfers (World Bank, 2023). For many families in rural communities where economic opportunities are scarce and agricultural income is increasingly volatile, remittances provide not only immediate financial relief but also a foundation for long-term socio-economic advancement.

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Remittances influence far more than day-to-day consumption. They contribute to household strategies for accumulating physical, financial, and human capital assets that determine future security and upward mobility (de Haas, 2010; Adams & Cuecuecha, 2013). In contexts where formal credit is limited and local employment cannot support transformative investments, remittances often become the only reliable resource through which households can improve housing, purchase land, finance children's education, or initiate small-scale businesses. Asset-building theory suggests that such investments create pathways out of poverty by strengthening long-term capabilities rather than short-term income (Sherraden et al., 2021; Moser, 2006). However, how rural households decide to allocate remittances among competing priorities remains poorly understood.

Although prior research has shown that remittances can enhance household welfare, reduce vulnerability, and stimulate rural development (Arif & Windarsari, 2026; Nanziri & Mwale, 2023), much of this evidence is derived from quantitative analyses focused on financial outcomes. These approaches often overlook the lived realities, intra-household negotiations, cultural expectations, and social meanings that shape decisions around asset accumulation. Rural households do not invest solely on economic grounds; their choices reflect aspirations, perceived risks, gender dynamics, and community norms, which cannot be fully captured through traditional survey-based approaches.

This gap in understanding underscores the urgency of a qualitative inquiry. Without examining the subjective interpretations and decision-making processes of remittance-receiving households, the developmental role of remittances remains only partially understood. Therefore, this study aims to explore how rural households use international remittances to build assets and what social, economic, and relational factors influence those decisions. By focusing on household experiences and motivations, the study provides a deeper perspective on how remittances shape long-term well-being and rural development trajectories.

2. Literature Review

2.1. International Remittances and Rural Livelihoods

International remittances represent a major source of income for rural households across Asia, Africa, and Latin America. They often exceed earnings from local agriculture and non-farm work, making them a crucial stabilizer of rural livelihoods (Ratha et al., 2016). Empirical studies show that remittances reduce poverty, enhance consumption capacity, and buffer households against economic shocks, especially in agrarian contexts where income is seasonal and unpredictable (Azizi, 2021). In many rural settings, remittances replace weak social protection systems and enable families to pursue goals that would otherwise be financially unattainable.

For countries with significant outmigration, remittances have transformed into a structural component of rural survival strategies. Research has found that households often depend on remittances not only for daily expenditures but also as the primary resource for future-oriented investments (Hossain & Sunmoni, 2022; Thapa & Acharya, 2017; Samaratunge et al., 2020). This positions remittances as both a coping mechanism and a development catalyst within rural economies.

2.2. Asset-Building as a Framework for Understanding Remittance Use

Asset-building theory emphasizes the importance of long-term resource accumulation such as housing, land, education, health, and savings, in enabling upward mobility and reducing intergenerational poverty (Sherraden et al., 2021; Moser, 2006). Unlike income-focused perspectives, the asset-building approach examines how households convert financial inflows into durable capabilities that improve their life chances.

Studies have shown that remittances contribute significantly to the accumulation of physical assets such as improved housing and land purchases (Adams & Cuecuecha, 2013). Similarly, remittances have been linked to greater investment in human capital, particularly children's education and health, which households view as long-term strategies for mobility (Askarov & Doucouliagos, 2020; Riu et al., 2026). However, asset investment decisions are shaped not only by economic rationality but also by cultural expectations, aspirations, and family dynamics, factors that remain understudied within quantitative frameworks.

2.3. Social and Household Dynamics in Remittance Allocation

A growing body of research highlights the social dimensions of remittance use. Intra-household bargaining influences how remittances are allocated, particularly in families where gender roles affect financial decision-making (Booysen & Guvuriro, 2021). Migrants may exert control over remittance distribution, while spouses or parents who manage daily expenditures often shape actual investment trajectories. Community norms and social pressure also play a role. In many rural settings, building larger or modern houses becomes a visible marker of success, reinforcing expectations about how remittances should be spent (Nyberg Sørensen, 2005). Such norms can create incentives for households to prioritize symbolic investments over potentially more productive ventures.

Although the literature provides substantial evidence on the economic impacts of remittances, most studies rely heavily on quantitative surveys that capture financial outcomes but overlook the underlying motivations and social processes that shape household decisions. As a result, important dimensions remain insufficiently understood, including how rural households prioritize investments when faced with competing needs, why specific assets such as housing or education are valued over others, and how cultural norms or community expectations influence decisions related to remittance use. Moreover, little is known about how households interpret the long-term role of remittances in securing their future wellbeing or strengthening their social standing. As Carling and Collins (2018) argue, remittance practices are embedded in complex social relationships and moral obligations, yet these qualitative dimensions rarely appear in mainstream remittance research. This gap underscores the need for deeper interpretive inquiry to uncover the meanings, negotiations, and everyday decision-making processes that guide asset-building behavior in remittance-dependent rural households.

3. Methods

This study adopts a qualitative case study design to examine how rural households use international remittances to build assets. A qualitative approach is appropriate because the research seeks to capture lived experiences, motivations, and subjective interpretations that cannot be accessed through quantitative methods (Creswell & Poth, 2018). The study was conducted in a rural community with a high concentration of migrant workers, selected for its relevance to remittance-dependent livelihoods. Participants were recruited using purposive sampling to ensure the inclusion of information-rich cases, including spouses of migrants,

parents receiving remittances, and return migrants, consistent with recommendations for qualitative sampling in exploratory research (Palinkas et al., 2015).

Data were collected through in-depth, semi-structured interviews, participant observation, and focus group discussions. In-depth interviews enabled participants to narrate their experiences with remittance use (Kvale & Brinkmann, 2015), while observations provided contextual insights into household conditions and visible assets, and focus groups helped validate emerging themes and capture shared community norms. All data were analyzed using thematic analysis following Braun and Clarke's (2006) framework, with coding conducted inductively to identify recurring patterns related to asset accumulation and household decision-making. Ethical principles were upheld throughout the study; participants provided informed consent, and confidentiality was maintained in accordance with qualitative research standards (American Sociological Association, 2018).

4. Results and Discussion

4.1. Result

This study involved 18 participants from a rural agricultural village located in the eastern region of West Kalimantan, Indonesia. The participants consisted of 11 female spouses of migrants, 5 parents receiving remittances, and 2 return migrants. All households had received international remittances from family members working in Malaysia, Singapore, or Brunei.

The findings reveal clear patterns in how remittances shape household livelihood strategies. First, remittances serve as the most reliable and stable financial inflow compared to agricultural income, which participants described as "uncertain," "seasonal," and "not enough to plan with." This stability allowed households to consistently meet basic needs such as food, school supplies, healthcare, and loan repayments before considering long-term investments. Second, remittances significantly contributed to physical asset accumulation, particularly housing renovation and land acquisition. Improvements to roofs, flooring, and additional rooms were visible in most remittance-receiving households. Land purchases were seen as long-term security and inheritance for children.

Third, education spending emerged as a prominent form of human capital investment. Parents framed schooling as the "most important investment," with aspirations that children would avoid unstable agricultural work and obtain better urban or overseas jobs. Fourth, a portion of remittances was directed toward small-scale businesses, such as kiosks, poultry raising, or agricultural inputs. However, several of these enterprises faced sustainability problems due to limited market opportunities and a lack of managerial skills.

Decision-making processes showed strong negotiation patterns between migrants and recipients. Women dominated daily budgeting, while migrants typically determined major investments such as land or business ventures. Social expectations within the village also reinforced the priority of housing improvement as a visible sign of progress.

Table 1. Summary of Key Findings

Theme	Specific Findings	Supporting Evidence (Participant Narratives)
Remittances as Stable Income	Remittances viewed as the only predictable financial source; used first for essential needs.	"Agriculture is uncertain; only remittances make us feel secure." – Spouse, 34
Physical Asset Building (Housing & Land)	Home renovation was the most common investment; land	"The first thing we repaired was the house roof. It shows our progress." – Parent, 62

	purchased for security and inheritance.	
Education as Human Capital	Significant spending on children's schooling; education seen as long-term return.	"Education is our future guarantee." – Spouse, 41
Small Enterprise Attempts	Kiosks, poultry, and small farms established; many faced sustainability challenges.	"The shop was good in the beginning, but the market here is too small." – Return migrant, 37
Negotiated Household Decision-Making	Spouses manage daily expenses; migrants influence major investments.	"I decide the daily needs, but he decides land or business." – Spouse, 29
Social Expectations	Community norms encourage visible improvements, especially housing.	"People expect us to fix the house once money comes." – Parent, 55

4.2. Discussion

The results demonstrate that remittances play a dual role in rural livelihoods: they reduce household vulnerability and provide a foundation for long-term asset accumulation. This pattern aligns with the Sustainable Livelihoods Framework, which conceptualizes financial flows as a form of capital that supports household stability and enhances overall livelihood resilience (Chambers & Conway, 1992; Scoones, 1998). The progression from meeting basic needs to investing in long-term assets reflects how remittances shift households from short-term coping strategies toward capability strengthening.

The preference for housing and land as key investments is consistent with Asset-Building Theory, which emphasizes that physical assets serve as anchors of economic mobility and intergenerational security (Sherraden et al., 2021; Moser, 2006). Beyond their economic utility, these assets carry symbolic meaning. The emphasis on housing improvement echoes findings that migrant families use visible physical assets to signal success and maintain social standing within the community (Nyberg Sørensen, 2005). Land acquisition, meanwhile, strengthens long-term livelihood stability by providing both security and future inheritance opportunities.

Human capital investment, particularly in education, further supports asset-building principles by enhancing long-term capabilities. The view of education as a "future guarantee" aligns with research showing that remittances significantly increase educational expenditures and aspirations in rural households (Askarov & Doucouliagos, 2020; Dipoatmodjo et al., 2026; Windarsari & Arif, 2026). This finding reinforces the notion that remittance use reflects strategic intergenerational planning rather than short-term consumption.

The mixed outcomes of microenterprise investments illustrate that financial capital alone is insufficient for successful livelihood diversification. The Sustainable Livelihoods Framework highlights that productive outcomes depend on the interaction of multiple capitals including human skills, infrastructure, and enabling institutions (Scoones, 1998). Participants' challenges with rural market limitations and business management mirror observations by Adams and Cuecuecha (2013) that remittances can support enterprise formation but do not guarantee sustainability without supportive conditions.

Household negotiation and gendered decision-making patterns also align with theoretical perspectives on the relational nature of remittances. Carling and Collins (2018) emphasize that remittance flows are embedded within obligations, emotions, and social expectations rather than purely economic logic. In this study, women's central role in daily

financial management and migrants' influence over major decisions reflect a shared governance structure shaped by gender norms, trust, and distance. Social expectations surrounding home improvement further exemplify how community norms guide remittance usage, supporting earlier observations that remittances carry symbolic and moral dimensions beyond monetary value.

5. Conclusion

This study demonstrates that international remittances play a critical role in shaping the livelihood trajectories of rural households. Beyond stabilizing day-to-day consumption, remittances enable families to strategically accumulate physical, human, and financial assets that strengthen long-term resilience. The findings show that housing improvements and land acquisition represent the most visible asset outcomes, reflecting both economic security and social-symbolic aspirations. Investments in children's education further illustrate the intergenerational vision of remittance use, where households view schooling as a pathway toward future mobility. Although some families attempted to diversify income through small enterprises, these efforts were often constrained by limited market opportunities, managerial capacity, and rural economic conditions.

The study also highlights that remittance allocation is not a purely economic process but is shaped by household negotiations, gendered roles, community norms, and expectations of reciprocity. These dynamics underscore that remittances function simultaneously as financial, social, and cultural resources. Drawing on asset-building perspectives, the results affirm that remittances contribute to more than material progress; they enhance households' social standing, reinforce identity, and strengthen long-term aspirations.

As a qualitative case study, the findings are not intended to be statistically generalizable. The insights reflect the lived experiences of a particular rural community and a limited number of participants. Future research could expand this work through comparative studies across villages, larger samples, or longitudinal designs to capture changes in remittance patterns over time.

The study underscores the transformative potential of remittances in rural development. Policies aimed at supporting remittance-receiving households should therefore move beyond credit access and focus on capacity-building, enterprise support, and community-based financial education tailored to the realities of rural contexts. By aligning institutional support with household aspirations and constraints, remittances can more effectively contribute to sustainable and inclusive rural asset building.

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