HO CHI MINH NATIONAL ACADEMY OF POLITICS

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THE IMPACT OF REMITTANCES ON HOUSEHOLD ECONOMIC BEHAVIOR IN VIETNAM

SUMMARY OF THE DOCTORAL THESIS

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INTRODUCTION

1. The Rationale of the Thesis Topic

Migration is an important issue of concern to countries worldwide, particularly in the context of globalization. Migration not only creates opportunities for economic development for households and localities but also generates remittance flows from migrants, making significant contributions to national and local economies. These flows, including remittances from domestic migration and international remittances, constitute an important source of income that helps improve living standards, reduce poverty, and develop human capital.

According to the World Bank, Viet Nam is among the world's largest recipient countries of remittances. From 1993 to 2022, remittances grew rapidly, reaching USD 19 billion in 2022, placing Viet Nam eighth globally. These funds are transmitted not only through banking systems but also through cash and in-kind transfers. The Government promotes migration as a means of increasing foreign exchange earnings, stimulating investment, and addressing poverty.

Remittances have substantial effects on household economic behavior, including consumption, saving, and investment. Studies indicate that remittance-receiving households tend to spend more on education and healthcare, as well as durable goods such as housing and transportation. However, a large proportion of remittances is often used for short-term consumption rather than long-term investment, limiting their potential contribution to sustainable development.

The saving behavior of remittance-receiving households also changes substantially, with saving rates reported to be higher than those of non-recipient households. In Viet Nam, however, only a relatively small share of remittances is invested in long-term activities such as production and business.

Existing studies have predominantly focused on the macroeconomic effects of remittances, such as poverty reduction and GDP growth, while paying less attention to the microeconomic dimension, particularly household consumption and saving behavior. The Thesis therefore examines “The Impact of Remittances on Household Behavior in Vietnam," using data from VHLSS 2020 to analyze differences between domestic and international remittance effects on household economic behavior. The study seeks to address this gap and provide deeper insights into the microeconomic effects of remittances on household economic behavior, thereby supporting economic and social policy in the context of sustainable development.

2. Novel Contributions of the Thesis

2.1. Theoretical Contributions

The Thesis contributes to further developing the theoretical framework on the effects of remittances on household behavior in Vietnam, focusing on two key dimensions: household consumption behavior and the saving rate.

First, the Thesis not only builds on economic theories of household behavior and remittance flows but also adapts them to Viet Nam's economic and social context. This approach provides a theoretical foundation for analyzing the effects of remittances in a changing context.

Second, the Thesis employs an econometric model using VHLSS 2020 data and systematically examines remittance flows from both domestic and international migration, thereby providing a new and more comprehensive perspective.

2.2. Empirical Contributions

First, the Thesis provides empirical evidence that remittances from both domestic and international migrants have positive but differentiated effects on household consumption behavior.

Households receiving international remittances tend to prioritize education, viewing it as a long-term investment in the future and in career development. Their expenditure share on education is significantly higher than that of non-recipient households. Households receiving remittances from domestic migrants spend more on healthcare and health-care services, particularly in rural areas.

Second, remittances, particularly international remittances, are found to have a positive effect on household saving rates. Remittance-receiving households tend to allocate a significant share of remittance income to saving, thereby creating financial buffers and strengthening financial stability.

Third, the Thesis proposes policy recommendations for the Government, credit institutions, households, and migrants to enhance the productive and welfare-enhancing use of remittances.

3. Structure of the Thesis

In addition to the Introduction, Conclusion, References, and Appendices, the Thesis consists of four chapters: Chapter 1 reviews the literature and presents the research direction; Chapter 2 presents the theoretical foundations of the effects of remittances on household behavior; Chapter 3 analyzes and evaluates the current effects of remittances on household behavior in Vietnam; and Chapter 4 proposes policy solutions and recommendations to attract and enhance the positive role of remittances from migrants.

CHAPTER 1

LITERATURE REVIEW AND RESEARCH DIRECTION

1.1. REVIEW OF RELATED STUDIES AND RESEARCH GAPS

1.1.1. Review of Theoretical Studies on the Effects of Remittances on Household Behavior

Four groups of theories explain migrants' remittance motives: altruism, self-interest, strategic motives, and intertemporal contractual arrangements. These theories are discussed in detail in the subsequent chapter. Migrants' remittance motives may, in turn, influence household behavior.

Three perspectives can be identified regarding how households perceive remittances. First, remittances may be viewed as temporary income and used to invest in physical and human capital, generating long-term socioeconomic effects. Second, they may be regarded as compensatory transfers and primarily used for consumption, potentially generating inflationary pressures in some countries. Third, they may be perceived as ordinary income, in which case there is little difference in consumption behavior between recipient and non-recipient households.

1.1.2. Review of Empirical Studies on the Effects of Remittances on Household Behavior

1.1.2.1. International Studies

With respect to consumption behavior, remittances affect household consumption and expenditure in different ways. Some studies report increased long-term investment in education, healthcare, housing, and saving. Other studies find no significant difference in consumption. Effects may also depend on income levels, with middle-income households tending to increase expenditure on non-durable goods, education, and healthcare.

With respect to saving behavior and saving rates, the evidence is mixed. Some studies in Mexico and elsewhere find no effect of remittances on saving, while others find that remittances increase saving among lower-income households. Cultural, socioeconomic, and regional factors also influence the effects of remittances.

1.1.2.2. Studies in Vietnam

Domestic studies indicate that remittances can function as a risk-coping mechanism, helping households respond more effectively to natural disasters. Remittance-receiving households tend to increase expenditure on housing and non-food items, while non-recipient households may increase expenditure on education and healthcare. Other studies find limited effects on investment consumption, with remittances being concentrated mainly on living expenses.

Regarding saving rates, income is identified as a major determinant, with differences between rural and urban areas. Remittance-receiving households generally save more, although saving may decline when economic prospects improve.

1.1.3. Research Gaps

International evidence is heterogeneous. Although studies generally show that remittances affect household consumption and saving, findings differ substantially across countries because of differences in economic, cultural, and policy conditions. Developing countries tend to use remittances primarily for essential consumption, whereas developed countries tend to allocate them more toward saving and investment. Southeast Asia, including Viet Nam, remains insufficiently studied despite the large scale of remittance flows relative to GDP.

In Viet Nam, existing studies rely substantially on older data and focus on descriptive statistics or econometric models without comprehensively evaluating remittance effects on consumption and saving behavior. Changes in expenditure composition, including education, healthcare, and investment, as well as effects in the context of the COVID-19 pandemic, have not been sufficiently explored.

To address these gaps, the Thesis combines descriptive analysis with econometric modeling, uses updated VHLSS 2020 data, analyzes consumption, saving, and expenditure composition, and compares recipient and non-recipient households to clarify the role of remittances in improving living standards and coping with economic shocks.

1.2. RESEARCH OBJECTIVES, SUBJECT, AND SCOPE

1.2.1. Research Objectives

Overall objective: To examine the effects of remittances from migrants on household behavior in Vietnam, focusing on consumption and saving behavior, and to propose solutions to attract, manage, and enhance the positive contribution of remittance flows to Vietnam's socioeconomic development.

Specific objectives: (i) develop a theoretical framework and research methodology for analyzing the effects of remittances on household behavior; (ii) review policies related to remittance flows from domestic and international migrants; (iii) analyze and evaluate differences in consumption behavior between recipient and non-recipient households; (iv) analyze and evaluate differences in saving behavior between recipient and non-recipient households; and (v) propose recommendations and solutions to optimize the role of remittances in improving household and community economic and social welfare.

1.2.2. Research Subject

The research subject is the consumption and saving behavior of households receiving remittances from migrants and households not receiving such remittances, with the aim of identifying behavioral differences.

1.2.3. Research Scope

Content: The study reviews policies affecting remittance flows; examines the effects of remittances on household consumption and saving behavior; analyzes determinants of household behavior and the channels through which remittances affect consumption and saving; and proposes policy solutions to strengthen the positive role of remittances for households and the economy.

Geographical scope: Households in Vietnam. Time scope: Data and analysis cover the period from 2012 to 2020.

1.2.4. Research Questions

First, what theoretical foundations explain the effects of remittances on household behavior, particularly consumption and saving behavior?

Second, how do current policies in Vietnam affect remittance flows from migrants?

Third, are there differences in consumption behavior between remittance-recipient and non-recipient households, and what is the effect of remittances on household consumption behavior?

Fourth, are there differences in saving rates between recipient and non-recipient households, and what is the effect of remittances on household saving rates?

Fifth, what recommendations and solutions can be adopted to strengthen the positive role of remittances in economic development and household welfare?

1.3. RESEARCH APPROACH AND METHODOLOGY

1.3.1. Research Approach

The Thesis employs qualitative analysis and reviews relevant literature and policies to establish the research context and theoretical framework. Quantitative analysis uses econometric models, including OLS, to measure the effects of remittances on household consumption and saving behavior. Group comparisons are used to identify differences between remittance-recipient and non-recipient households.

1.3.2. Analytical Framework

The analytical framework is designed to clarify how remittances from migrants affect household behavior in Vietnam through intermediate factors, transmission channels, and final outcomes.

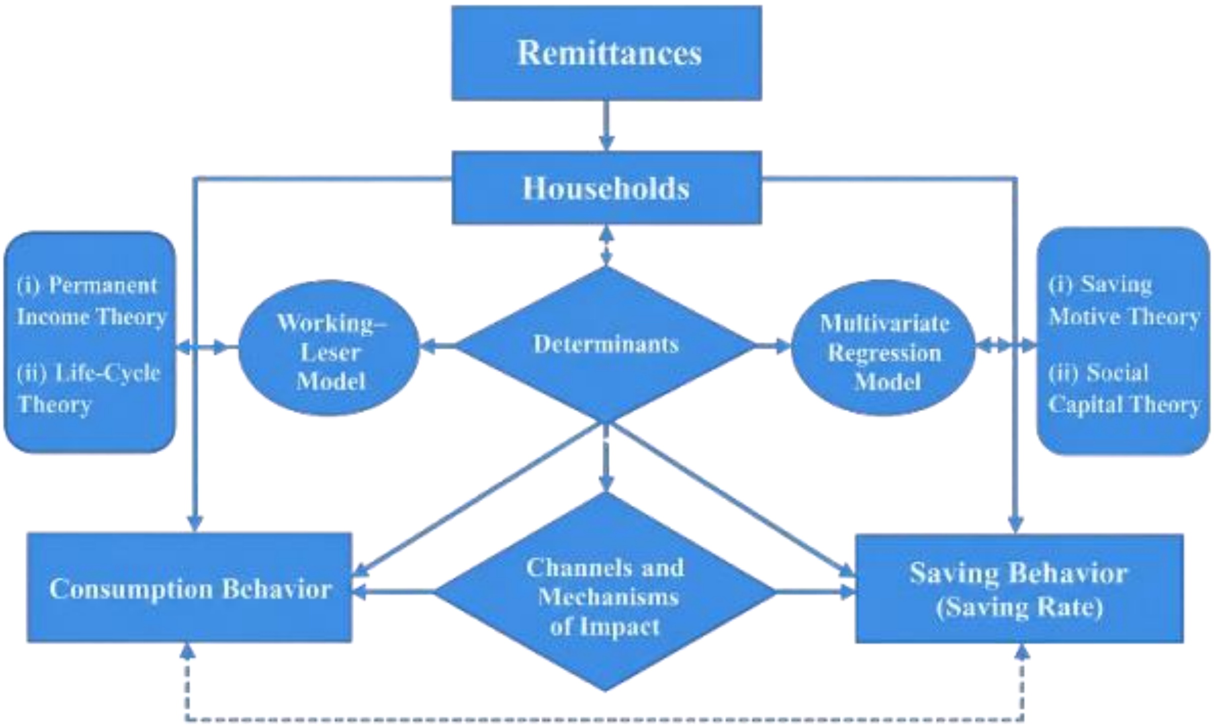

Figure 1.1. Analytical framework for the effects of remittances on household consumption and saving behavior in Vietnam

Source: Compiled and developed by the author.

1.3.3. Data Sources

The Thesis uses journals, books, newspapers, statistical yearbooks, reports from international organizations such as the World Bank and the International Organization for Migration, and remittance-flow data from the State Bank of Vietnam. VHLSS 2020 is used as the principal household-level dataset.

1.3.4. Research Methods

The Thesis combines synthesis and analytical methods, comparative analysis, policy analysis, descriptive statistical analysis, and econometric modeling. Specifically, the Working–Leser model is used to analyze the effects of remittances on household consumption behavior, while a multivariate regression model is used to analyze their effects on the household saving rate.

CHAPTER 2

THEORETICAL FOUNDATIONS OF THE EFFECTS OF REMITTANCES ON HOUSEHOLD BEHAVIOR

2.1. THEORETICAL FOUNDATIONS OF REMITTANCES

2.1.1. Definition of Remittances

In this study, remittances are defined as income, in cash or in kind, received by a household from relatives who have migrated for work away from home, either abroad or within the country, and transferred through formal or informal channels.

2.1.2. Role of Remittances

In development economics, remittances are an important financial resource that contributes to household welfare and macroeconomic stability. They improve household living standards, reduce poverty, and expand access to basic services such as education and healthcare. They can also facilitate household investment, particularly in production, small businesses, and asset accumulation. At the macro level, remittances contribute to balance-of-payments stability, provide foreign exchange for imports of goods and services, and support economic recovery and stability. Part of remittance income may be accumulated through the financial system, increasing national saving and supporting financial-market development, credit expansion, and investment financing.

2.1.3. Classification of Remittances

Remittances can be classified according to four basic criteria. First, by source, they include domestic migrant remittances and international remittances from overseas workers. Second, by use, remittances are allocated primarily to consumption, investment, and saving, with a large share devoted to living expenses and improved living standards, particularly among low-income households. Third, by transfer channel, remittances may be sent through formal channels such as banks, financial institutions, and international money-transfer services, or through informal channels. Fourth, by receiving area, remittance use differs between rural and urban households: in rural areas, remittances are commonly used for basic consumption and productive investment, whereas in urban areas they tend to be allocated to services, business investment, and asset accumulation.

2.2. THEORETICAL FOUNDATIONS OF HOUSEHOLD BEHAVIOR

2.2.1. Definition of Household and Household Behavior

In economics and sociology, the household is regarded as a basic socioeconomic unit. From an economic perspective, a household consists of individuals related through marriage, kinship, or care relationships who live together and share economic resources. In rural areas, households traditionally perform both production and consumption functions and constitute a basic unit of agricultural production. With industrialization and urbanization, the production function has tended to decline as residence and workplace become separated, while the consumption function has become increasingly prominent.

In microeconomics, households are generally viewed as basic consumption decision-making units in which income is allocated among needs such as food, housing, education, and healthcare. Traditional models treat the household as a unitary entity maximizing a common utility function, while collective models emphasize bargaining among household members and differences in power and individual interests. Other approaches emphasize the household as an intermediary resource-allocation unit that diversifies income and reduces risk.

2.2.2. Theoretical Foundations of Household Consumption Behavior

Household behavior can be understood as the process through which members make decisions regarding consumption, saving, investment, and resource allocation to maximize overall welfare. Consumption behavior reflects the process of selecting, purchasing, and using goods and services to satisfy household needs.

Household consumption in Vietnam is shaped by both traditional cultural factors and modern consumption trends. Consumption expenditure is commonly divided into food, non-food items, education, healthcare, durable goods, housing, and other expenditures.

The Permanent Income Hypothesis of Milton Friedman (1957) argues that consumption depends primarily on expected long-term income; stable income therefore has a stronger effect on consumption, while temporary income tends to be saved. The Life-Cycle Hypothesis of Modigliani and Brumberg (1954) argues that consumption and saving vary across stages of life, with individuals accumulating assets during working years and drawing down accumulated resources in old age. Consumption-under-Uncertainty approaches, including Hall (1978), Deaton (1992), and Carroll (1997), emphasize precautionary saving when income is unstable or credit constraints exist.

2.2.3. Theoretical Foundations of Household Saving Behavior

Household saving is an important component of capital accumulation and economic development. Saving is the portion of income not used for current consumption but retained for future needs. From the perspective of Adam Smith, saving is a source of capital accumulation and a foundation for economic growth. At the household level, saving can take the form of cash, gold, foreign currency, or bank deposits and plays an important role in reducing income risk and maintaining financial stability.

Economic theories of saving emphasize household saving motives. Households may save to accumulate assets, invest for the future, insure against income risks, or achieve specific goals such as purchasing housing and investing in education. Social-capital theory further suggests that saving behavior is influenced by social norms, trust, and community networks. Household economic decisions therefore depend not only on income but also on social and institutional factors.

Overall, these theoretical foundations indicate that household consumption and saving behavior results from interactions among economic, social, and institutional factors and plays an important role in resource allocation and economic welfare.

2.3. EFFECTS OF REMITTANCES ON HOUSEHOLD BEHAVIOR

2.3.1. Transmission Channels and Mechanisms Affecting Household Consumption

In development economics, remittances affect household consumption through several major transmission channels, including increased disposable income, financial stabilization, changes in consumption composition, increased saving, and poverty reduction. Remittances raise household income, particularly among low-income households, expanding their capacity to meet essential needs and invest in human capital such as education and healthcare. They can also function as an informal insurance mechanism, helping households smooth consumption and improve resilience to economic shocks.

Remittances may alter consumption composition by increasing expenditure on higher-value-added services, consistent with Engel's law, thereby improving household living standards. Part of remittance income may also be allocated to saving and investment, strengthening long-term financial foundations, although in some circumstances remittances may reduce precautionary-saving incentives. Overall, these mechanisms can improve living standards, reduce poverty, and promote socioeconomic development at the household and community levels.

2.3.2. Models for Assessing the Effects of Remittances on Household Behavior

2.3.2.1. Working–Leser Model for Household Consumption Behavior

The Working–Leser model is used to estimate the effects of remittances on expenditure shares across household consumption categories, including food, non-food items, housing, healthcare, education, durable goods, and other expenditure. Total household expenditure, remittance income, demographic characteristics, household location, and regional characteristics are incorporated as explanatory and control variables. Interaction terms between remittances and control variables are used to identify heterogeneous effects across household groups.

2.3.2.2. Multivariate Regression Model for the Household Saving Rate

A linear regression model is used to identify the relationship between household income and the saving rate and to assess how changes in income and remittance flows affect saving behavior. Key explanatory variables include the household head's age and sex, household income grouped into five income categories, domestic migrant remittances, international remittances, poverty status, urban/rural location, and regional characteristics. The model assumes that remittances from migrants have a positive effect on saving, with international remittances potentially having a larger effect because of their higher and more stable value.

Poverty is expected to have a negative effect on saving because poor households allocate a larger share of income to basic consumption. Urban households are expected to have higher saving capacity because of better access to financial services.

2.4. FACTORS AFFECTING THE EFFECTS OF REMITTANCES ON HOUSEHOLD BEHAVIOR

The effects of remittances on household consumption and saving depend not only on the size of remittance flows but also on household demographic characteristics, regional conditions, remittance size, and the policy environment.

Household demographic characteristics play an important role in determining resource allocation. Under the life-cycle approach, consumption and saving needs vary with the household head's age. Younger households often have lower saving rates because of high child-rearing and consumption costs, while middle-aged households tend to accumulate assets for future security. Education also affects financial behavior: households with more highly educated heads tend to prioritize investment in education, healthcare, and long-term assets and tend to save more. Sex, marital status, employment, household structure, income stability, and the number of dependents also affect allocation decisions.

Regional conditions generate differences in remittance use. Urban households tend to allocate more to higher-value services and investment activities such as real estate and business. In rural or disadvantaged areas, remittances are used mainly for basic needs such as food, healthcare, and education; saving often takes the form of physical asset accumulation because access to formal financial services is more limited.

The size of remittances also affects allocation. Smaller transfers tend to be used for daily expenses, while larger transfers are more likely to be devoted to long-term goals such as education, housing, business, or asset accumulation, thereby increasing household saving capacity.

Finally, the policy environment and financial system are important in shaping remittance use. Policies that reduce transfer costs, promote formal financial channels, and expand appropriate saving and credit products can improve the efficiency of remittance use. Financial-education programs and social-protection policies can also encourage saving, human-capital investment, and household welfare, thereby contributing to sustainable economic growth and development.

CHAPTER 3

CURRENT EFFECTS OF REMITTANCES ON HOUSEHOLD BEHAVIOR IN VIETNAM

3.1. CURRENT STATUS OF REMITTANCE FLOWS

Domestic migrant remittances play an important role in economic development and poverty reduction, particularly in rural areas. On average, each household receives approximately VND 27.5 million per year, mainly used for daily living expenses, education, and healthcare. The share of rural households using remittances for saving, debt repayment, and business investment is higher than in urban areas. However, the COVID-19 pandemic significantly reduced remittance growth because of job losses and declining migrant incomes.

International remittances are an important source of foreign exchange for Vietnam, accounting for approximately 6–8 percent of GDP annually. During 2017–2023, remittances increased steadily, supported by relatively open transfer policies. Major destinations for Vietnamese migrant workers include Japan, Taiwan, and South Korea. Despite the negative effects of COVID-19, remittances reached USD 17.2 billion in 2020, increasing by 3 percent year-on-year, and reached USD 19 billion in 2022. Remittances are widely used for education, healthcare, and housing and contribute to balance-of-payments improvement and economic stability.

3.2. CHARACTERISTICS OF REMITTANCE-RECEIVING HOUSEHOLDS

Household head age: The average age of household heads receiving international remittances is 51.46 years, compared with 48.56 years for households receiving domestic remittances and 46.45 years for non-recipient households. This suggests that households with younger migrants often have older members remaining at home to receive support.

Household size: Households receiving international remittances have an average of 3.8 members, compared with 3.9 for domestic-remittance households and 4.1 for non-recipient households. This is consistent with migration involving one or two household members working elsewhere.

Education: Households receiving international remittances have the highest share of household heads with professional qualifications (23.1%), compared with 17.5% among domestic-remittance households and 18.4% among non-recipient households. International-remittance households also show evidence of prioritizing education and skills development.

3.3. EFFECTS OF REMITTANCES ON HOUSEHOLD CONSUMPTION BEHAVIOR

Remittance allocation differs between urban and rural households. Rural households prioritize food (37.16%) and healthcare (6.95%), whereas urban households spend more on non-food items (36.22%) and education (6.77%). Across regions, the Red River Delta records the highest education expenditure share (7.48%), while the Northern Midlands and Mountainous Areas prioritize food (40.89%). The Southeast has the highest non-food expenditure share (37.19%). Low-income households prioritize food (44.58%), whereas high-income households concentrate expenditure on non-food items (36.62%) and housing (17.73%).

The Working–Leser model indicates that remittances have positive but relatively modest effects on household consumption behavior. As total expenditure increases, the food expenditure share declines by 14.2%, consistent with Engel's law. International remittances are used less for food than domestic remittances.

Education: Households receiving international remittances spend 11.4% more on education than non-recipient households, while domestic remittances increase education expenditure by 8.4%. This suggests recognition of education's role in improving income and living standards.

Healthcare: Households receiving domestic remittances spend 12% more on healthcare, compared with 6.3% for households receiving international remittances. This may be associated with healthcare needs among older persons and children remaining at home when younger household members migrate.

Durable goods: International remittances have a stronger positive effect (0.013) than domestic remittances (0.0008), supporting household investment in long-term assets such as televisions and refrigerators. Housing: International-remittance households prioritize housing expenditure, consistent with urbanization and greater emphasis on improving living conditions.

Other determinants of consumption include the household head's sex, education, household size, and geographic location. Households headed by men spend more on education and healthcare, while female-headed households prioritize food. More highly educated household heads spend more on education and healthcare and less on food. As household size increases, the food expenditure share declines while education and durable-goods expenditure increase. Households in more economically developed regions, such as the Southeast, spend more on non-food items and housing, while disadvantaged regions prioritize food.

3.4. EFFECTS OF REMITTANCES ON HOUSEHOLD SAVING BEHAVIOR

According to the survey data, only 25% of remittance-receiving households save, while 46.9% use the entire remittance amount for living expenses, particularly among low-income households. Other reasons for not saving include expenditure on education, housing, business, and debt repayment.

Regional saving patterns differ. The Southeast has the highest saving rate (74.2%), supported by higher average income and the use of remittances for long-term investment such as education and real estate. The Mekong River Delta (67.6%) uses remittances to improve education and housing. The Northern Midlands and Mountainous Areas (64.6%) mainly save in cash as a precaution against risk. The Central Highlands (55.2%) concentrates saving in agriculture and land but faces constraints in access to formal financial services.

Domestic remittances: a VND 1 million increase in remittances is associated with an average VND 180,000 increase in saving, particularly among low-income households. International remittances: each additional VND 1 million is associated with a VND 250,000 increase in saving, reflecting their higher and more stable value. A VND 1 million increase in household income is associated with a VND 300,000 increase in saving, with a stronger relationship in developed regions such as the Southeast.

Education: More highly educated household heads save more, particularly when receiving international remittances; saving increases by approximately VND 400,000 for each additional education level. Sex: female-headed households save approximately VND 1.2 million more per month than male-headed households. Dependents: each additional dependent reduces saving by approximately VND 250,000 per month. Poverty: poor households save approximately VND 1.5 million less per month than non-poor households, although international remittances substantially improve the saving capacity of poor households.

Income quintile analysis shows that remittances significantly increase saving among low-income households with monthly income below VND 10 million. Among households with monthly income from VND 10 million to below VND 30 million, the relationship between remittances and saving is not statistically significant. Among households with monthly income above VND 30 million, the relationship between remittances and the saving rate is negative, reflecting allocation toward other objectives such as investment.

3.5. OVERALL ASSESSMENT

Vietnam's legal framework for foreign-exchange and remittance management is relatively supportive, allowing transfers through formal channels, providing tax exemptions, and ensuring transaction security. Remittance inflows reached approximately USD 19 billion in 2022, equivalent to 6.3% of GDP, contributing to foreign-exchange market stability and local economic development. For households, remittances substantially improve living standards, with recipient households spending approximately 20–30% more than non-recipient households, particularly on education and healthcare, while also supporting food security and poverty reduction.

Nevertheless, several limitations remain. Most remittances are used for consumption or passive saving, while investment in production, business, and long-term education remains low. Vietnam also lacks fully integrated policies to channel remittances toward sustainable investment. International transfer costs remain relatively high, particularly in rural areas where financial infrastructure is limited. Some studies also suggest that remittances may reduce local labor incentives and widen economic disparities between recipient and non-recipient households.

In terms of saving, remittance-receiving households save approximately VND 12 million per year on average, creating financial buffers and strengthening resilience to economic shocks. Saving rates are higher in developed regions such as the Southeast, where remittances are used for education, housing, and investment. Among low-income households, remittances substantially improve accumulation capacity, while saving remains lower in disadvantaged regions because of limited income and high essential expenditure needs.

CHAPTER 4

POLICY IMPLICATIONS FOR ENHANCING THE ROLE OF REMITTANCES IN VIETNAM

4.1. CONTEXT

During 2020–2022, the global economy was strongly affected by the COVID-19 pandemic, the Russia–Ukraine conflict, and the energy crisis, which slowed global economic growth. After 2022, however, major economies such as the United States, the European Union, and Japan gradually recovered, increasing demand for migrant labor and creating additional employment opportunities for workers from developing countries.

International migration continued to increase, reaching approximately 281 million people in 2022, helping sustain global remittances at around USD 702 billion. Financial technology and digital money-transfer platforms reduced international transfer costs from approximately 7% in 2015 to about 4.9% in 2022, supporting the longer-term growth of remittance flows. Nevertheless, geopolitical conflicts, trade protectionism, and exchange-rate volatility remain potential risks to remittance stability.

Vietnam has maintained relatively high economic growth over the past two decades, with average GDP growth of approximately 6–7% per year. GDP per capita reached approximately USD 4,284 in 2023, while the poverty rate declined substantially. Remittances, including international remittances and domestic migrant transfers, play an important role in improving household income and economic stability. In 2022, international remittances to Vietnam reached approximately USD 19 billion, placing the country among the world's major remittance recipients. Domestic migrant remittances also contribute significantly to rural household income.

Although transfer costs, exchange-rate volatility, and global economic downturns may reduce remittance flows, the recovery of international labor markets and continued digitalization of financial services are expected to support future remittance flows.

4.2. OPPORTUNITIES AND CHALLENGES

(1) Opportunities

Stable remittance growth: Vietnam is among the world's largest remittance recipient countries, with USD 19 billion received in 2022. Technological development and lower transfer costs through FinTech and digital transfers improve access to remittance services and household financial efficiency.

International labor markets and supportive policies provide additional opportunities. Demand for labor in Japan and South Korea, together with Vietnam's labor-export policies, supports remittance growth. Domestic migration from rural to urban areas generates relatively stable income flows for rural households and contributes to financial stability and saving.

Remittances also improve access to education, healthcare, and investment while supporting saving and asset accumulation and strengthening household financial security.

(2) Challenges

Economic downturns and the Russia–Ukraine conflict may reduce employment opportunities and affect migrant incomes and remittance flows. Exchange-rate volatility can reduce the real value of international remittances and affect household consumption and saving. Remittance flows are concentrated in major urban centers, while long-term investment in production and business remains limited. Some households prioritize luxury consumption, reducing the long-term development effects of remittances.

Transfer costs remain high, particularly in areas with limited access to digital financial services. Domestic labor migration can create labor shortages in rural areas, affecting agricultural production and family cohesion. Protectionist measures in the United States and other developed economies may reduce employment opportunities and remittance flows, directly affecting Vietnamese migrant workers' finances.

4.3. RECOMMENDATIONS TO ATTRACT AND ENHANCE THE POSITIVE ROLE OF REMITTANCES

(1) Recommendations for the Government

Develop policies that encourage the use of remittances for productive activities, economic development, education, healthcare, and strategic industries such as high technology and renewable energy. Facilitate diaspora investment in small and medium-sized enterprises and draw lessons from successful models such as mutual investment funds in Brazil and remittance-development policies in India and the Philippines.

Improve transport, telecommunications, and financial infrastructure; simplify administrative procedures; and strengthen financial services to encourage overseas Vietnamese to participate in domestic economic projects. Expand banking networks, mobile financial services, and 4G/5G connectivity in rural and mountainous areas. Establish local digital financial advisory centers and promote the use of formal transaction channels. Provide skills training, encourage entrepreneurship and productive investment, and implement transparent and appropriately targeted incentives to maximize the development benefits of remittances.

(2) Recommendations for Credit Institutions

Shorten procedures for receiving and disbursing remittances and reduce complex documentation requirements. Design flexible saving accounts and preferential loan packages appropriate for household production and small-business investment. Reduce money-transfer transaction fees and provide low-cost packages to encourage the use of formal channels.

Apply financial technology by integrating digital platforms such as e-wallets and mobile banking to improve convenience and reduce transaction costs.

(3) Recommendations for Households and Migrants

Develop clear financial allocation plans that combine saving, long-term investment, and essential consumption. Use remittances for productive activities, business, and asset investment. Prioritize education and skills development, including tuition payments, learning equipment, and vocational training, to improve long-term economic opportunities.

Households and migrants should maintain communication and agree on remittance-use plans to ensure transparency and efficiency. Remittances should also be used to create self-generated income, for example through productive investment or improvements in working conditions, thereby reducing financial risks when remittance flows are unstable.

CONCLUSION AND DIRECTIONS FOR FUTURE RESEARCH

1. Conclusions

1.1. Theoretical Contributions

First, the Thesis strengthens the analytical framework by incorporating intermediate factors, including household characteristics and policies, as well as transmission channels. The theoretical framework clearly reflects interactions among economic, social, and policy factors and provides a sound basis for comprehensively evaluating remittance effects.

Second, the Thesis contributes to the research methodology for assessing the effects of migrants' remittances on household behavior.

1.2. Empirical Contributions

First, the Thesis provides empirical evidence that remittances from migrants affect household consumption behavior. Remittances increase expenditure on long-term objectives such as education and healthcare and improve overall household welfare. Remittance-receiving households have higher average consumption than non-recipient households. International-remittance households place strong emphasis on education: with 99% confidence, they spend 11.4% more on education than households that do not receive international remittances. Households receiving domestic migrant remittances spend 12% more on healthcare than non-recipient households.

Second, the Thesis provides empirical evidence that international remittances affect household saving behavior and saving rates. Remittances increase saving rates among households in income groups 1 and 2, with monthly income below VND 10 million. Among households in income groups

3 and 4, with monthly income from VND 10 million to below VND 30 million, the relationship between remittances and the saving rate is not statistically significant. For households with monthly income above VND 30 million, remittances and the saving rate exhibit an inverse relationship.

Third, the Thesis provides seven recommendations for the Government, five recommendations for credit institutions, and five recommendations for households and migrants to attract and optimize the use of remittances.

2. Directions for Future Research

First, the Thesis focuses on the effects of remittances on household behavior and does not quantitatively evaluate their effects on migrant-origin communities or national socioeconomic development. Remittance data may also be incomplete or inaccurate because transfers through informal channels are not fully recorded. Future studies could therefore examine remittance effects on migrant-origin communities and national socioeconomic development.

Second, the analysis covers 2012–2020, which may not be sufficiently long to assess the long-term effects of remittances on education and economic welfare. Future studies could use multi-year panel data and structural-break analysis to identify longer-term trends and effects on poverty reduction.

Third, the Thesis uses OLS for multivariate regression and does not address potential endogeneity. Future research could employ alternative methods to address endogeneity, such as instrumental-variable approaches or other identification strategies.

Fourth, future studies could examine the social effects of remittances, including changes in family structure, gender roles, and community cohesion, as well as their effects on household lifestyles, family values, and consumption habits.

LIST OF THE AUTHOR'S PUBLISHED WORKS

1. Pham Quang Trung (2017), “The Relationship between Trade Policy and Employment: Insights from the Harris–Todaro Model.”

2. Pham Quang Trung (2020), “The Impact of Remittances on Household Consumption Behavior in Vietnam.”

3. Pham Quang Trung (2020), “An Analysis of the Impact of Remittances on the Household Saving Rate in Vietnam.”