Determinants of Economic Growth in SAARC Countries: The Roles of Financial Development and Foreign Direct Investment

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Abstract

This study examines the impact of financial development and foreign direct investment (FDI) on economic growth in SAARC countries using data from the World Bank and IMF spanning from 1988 to 2021. Pooled OLS, random effect models, and fixed effects models are used to examine the effect of financial development and FDI on economic growth. The findings reveal a statistically significant positive relationship between FDI and GDP growth, indicating the importance of these factors in economic policymaking. There is a statistically insignificant negligible negative effect of financial development in the SAARC region. There is a need for infrastructure to support financial institutions to realize the potential benefits of financial development. The results highlight strong institutional frameworks necessary to support financial development and FDI to accelerate economic growth.

Keywords: panel data, emerging economies, economic growth, SAARC countries, financial development

Introduction

The connection between financial development, FDI, and growth has been a central theme in economic research, particularly for developing regions such as the SAARC countries (Ang & Kumar, 2014; Loayza & Rancière, 2006; Ang & McKibbin, 2007). Financial development, which encompasses improvements in financial markets and institutions, is believed to enhance economic growth by mobilizing savings, allocating resources efficiently, facilitating trade, and promoting technological innovation (Levine, 1997; Beck, Levine, & Loayza, 2000). Similarly, FDI is widely regarded as a crucial driver of growth, providing capital, technology, and managerial expertise that enhances productivity and foster economic development (Borensztein et al., 1998; Hermes & Lensink, 2003).

Although previous studies offer important insights into the relationship between financial development, FDI, and growth, the literature has notable limitations. For example, Ang (2008) and Ang and McKibbin (2007) largely focus on Malaysia, offering limited generalizability to other developing regions, including SAARC countries. Similarly, Calderon and Liu (2003) emphasize a positive causality between financial development and growth but do not account for the varying institutional capacities across countries that mediate this relationship. Research on FDI, such as that by Khan and Senhadji (2000) and Anwar and Nguyen (2011), highlights the benefits of FDI for economic growth but often overlooks critical factors like the absorptive capacity of host economies, which is essential for realizing the full potential of FDI inflows.

Furthermore, Demetriades and Hussein (1996) and Hermes and Lensink (2003) caution that institutional quality and financial system efficiency significantly condition these impacts, yet these aspects remain underexplored in the context of SAARC countries. Singh (2022) estimated that while broad money positively influences economic growth, gross savings and external influx have adverse effects, with domestic credit showing a negative yet insignificant impact.

The existing literature, while extensive, suffers from critical gaps and limitations. For instance, many studies focus on individual countries rather than adopting a regional perspective, failing to capture the diverse financial structures and economic stages within SAARC countries. Additionally, prior research often overlooks the mediating roles of institutional quality, governance, and absorptive capacity in the relationship between financial development, FDI, and economic growth. Furthermore, while the bidirectional causality between financial development and growth is acknowledged, the mechanisms driving these dynamics remain underexplored, particularly in the SAARC context. This study is unique and novel as it addresses these gaps by employing robust econometric techniques on a comprehensive dataset spanning multiple SAARC countries, providing a region-specific analysis that incorporates institutional factors and examines nuanced interactions among key variables, thus offering actionable insights for policymakers.

This study investigates the impact of financial development and FDI on economic growth in SAARC countries, with a particular focus on the mediating roles of institutional quality and absorptive capacity. Employing robust econometric techniques, the research leverages a comprehensive dataset spanning 1988 to 2021 to uncover nuanced relationships and causal mechanisms. The scope of the study encompasses the diverse economic and financial structures of SAARC countries, providing a regional perspective often neglected in prior research. The rationale lies in addressing critical gaps in the literature, such as the lack of region-specific insights and the underexploration of institutional factors. This study's findings carry important implications for policymakers, providing practical recommendations to strengthen financial systems, attract effective FDI, and promote sustainable economic growth while considering the unique institutional and structural dynamics of each country.

Literature Review

The relationship between financial development and economic growth has long been a key focus of economic research. This review highlights empirical and theoretical findings, focusing on SAARC countries. Given their diverse stages of financial and economic development, these countries offer valuable insights into whether financial development drives growth in the region. The theoretical foundation of the link between a strong financial system and economic performance dates to Schumpeter (1911), who highlighted the importance of strong financial intermediaries for promoting technological innovation and driving economic development. McKinnon (1973) and Shaw (1973) further developed this idea, emphasizing the importance of financial liberalization in promoting savings and investment, thereby accelerating economic growth. These foundational theories set the stage for extensive empirical investigations in subsequent decades.

Early empirical studies by Levine (1997) and King and Levine (1993a, 1993b) provided robust evidence that financial development positively impacts economic growth, using cross-country regressions that included SAARC countries. Demetriades and Hussein (1996) found

bidirectional causality between financial development and economic growth in several developing countries, including those in South Asia. Arestis et al. (2001) argued that financial development has a substantial effect on economic performance when supported by strong institutional frameworks.

Khan and Senhadji (2000) conducted a comprehensive analysis on developing countries and found that financial depth positively influences economic growth in SAARC countries. Ang (2008) examined the causal relationship in Malaysia, a SAARC member, and found that financial development leads to economic growth, particularly through the banking sector. Chandavarkar (1992) highlighted that financial repression in many South Asian countries has impeded economic growth, suggesting the need for financial reforms.

Rajan and Zingales (1998) provided evidence that efficient financial systems accelerate economic performance facilitating access to external finance for firms, which is relevant for the industrial sectors in SAARC countries. Becket al. (2000) demonstrated that financial intermediaries significantly contribute to economic growth by improving resource allocation. Levine, Loayza, and Beck (2000) argued that both the level of financial intermediary development and stock market development positively affect economic growth.

Bekaert et al. (2005) found that financial liberalization positively impacts economic growth, which has implications for SAARC countries that have pursued financial reforms. Calderon and Liu (2003) used panel data analysis to show that financial development leads to economic growth in developing countries, including those in South Asia. Hassan et al. (2011) focused on SAARC countries specifically finding robust evidence that financial development causes economic growth in the region.

Pradhan (2010) provided evidence from India, showing that financial development promotes economic growth through increased investment and productivity. Shahbaz (2009) conducted a time-series analysis for Pakistan and found that financial development positively influences economic growth. Anwar and Nguyen (2011) examined the relationship in Vietnam and suggested that the findings could be applicable to other SAARC countries with similar economic structures.

Odhiambo (2009) found a bidirectional causal relationship between financial development and economic growth in South Africa, which could provide insights for SAARC countries with comparable financial systems. Naceur and Ghazouani (2007) argued that financial development positively affects economic growth in MENA countries, which share economic characteristics with some SAARC countries. Hermes and Lensink (2003) reviewed the role of financial liberalization in developing countries and concluded that it generally promotes economic growth, relevant for SAARC nations undertaking similar reforms.

Graff (1999) highlighted the role of financial development in facilitating economic growth in low-income countries, including SAARC members. Shan et al. (2001) used a VAR model to show that financial development causes economic growth in China, providing a comparative perspective for SAARC countries. Rousseau and Wachtel (2002) provided a comprehensive analysis showing that financial development leads to economic growth in emerging markets, which include SAARC countries.

Calderon and Liu (2003) demonstrated that financial development accelerates economic growth through enhanced productivity and investment in developing countries. Ang and

McKibbin (2007) showed that financial development and economic growth are mutually reinforcing in Malaysia, suggesting similar dynamics may be present in other SAARC countries. Christopoulos and Tsionas (2004) found long-run causality from financial development to economic growth in a panel of developing countries, including SAARC members.

Khan et al. (2005) provided evidence from Pakistan showing that financial development contributes significantly to economic growth. Kiran et al. (2009) used a panel data approach to show that financial development positively impacts economic growth in emerging economies, relevant for SAARC countries. Loayza and Rancière (2006) discussed the non-linear impact of financial on growth, highlighting that while initial stages of financial development promote growth, excessive development can lead to instability, a crucial consideration for SAARC countries.

Ang and Kumar (2014) explored the finance-growth nexus in India, finding strong evidence that financial development spurs economic growth. De Gregorio and Guidotti (1995) advocated stronger positive effects of efficient financial systems on economic performance in countries having higher income and education, relevant to policy considerations in SAARC countries. Levine and Zervos (1998) demonstrated that stock market development is significant in promoting economic growth, a conclusion relevant to SAARC countries undertaking capital market reforms.

Ahmed et al. (2022) investigated the role of institutional quality and financial development in promoting green economic growth in South Asian economies from 2000–2018 using World Bank data and advanced panel cointegration techniques revealing that institutional quality and financial development are key drivers of long-term green growth. Li et al. (2020) examined the impact of financial development and institutional quality on economic sustainability in the ECOWAS region using 1996–2017 data and SYS GMM estimators finding that financial development does not significantly promote sustainability, while regulatory quality boosts growth, corruption control hinders it, and capital formation positively influences growth, though poor corruption control and underdeveloped financial sectors remain major challenges.

The asymmetrical and symmetrical effects investigation of financial sector development on economic growth in Nepal has revealed a significant role of financial development, although with some negative asymmetrical effects on long-term growth (Gajurel et al., 2021, Pandey et al., 2024). Another study by Adhikari et al. (2023) employed a NARDL approach to show the dynamic influence of financial development and FDI on Nepal's economic growth, emphasizing their positive contributions. Lastly, Pandey et al. (2022) highlighted that financial reforms have significantly enhanced Nepal's financial development, thereby fostering economic growth. Together, these studies highlight the pivotal role of financial development and FDI in fostering economic growth in Nepal.

While the existing literature provides substantial evidence supporting the positive impact of financial development on economic growth in SAARC countries, several gaps remain. First, the bidirectional causality found in some studies suggests a need for further investigation into the mechanisms through which financial development influences growth and vice versa. Additionally, the role of institutional quality and financial regulation in mediating this

relationship requires more nuanced exploration. The impact of financial development on inclusive growth, particularly how it affects income distribution and poverty alleviation in SAARC countries, also remains underexplored. Finally, given the heterogeneity among SAARC countries, more country-specific studies are needed to tailor financial policies effectively to each nation's unique economic context.

Data and Methodology

Data from the World Bank and IMF were used to examine the impact of financial development and FDI on the economic growth of SAARC countries from 1988 to 2021. Maldives and Afghanistan were excluded from the analysis due to data unavailability. The primary variables include growth in per capita GDP (PCGDPG), foreign direct investment (FDI), trade openness (TO), government expenditure (GE), inflation (INF), and the financial development index (FD_Index).

Table 1

Description of variables

Variable	Proxy	Description	Measurement	Source
PCGDPG	Growth in per capita GDP	Measures the annual percentage growth in per capita GDP, reflecting economic performance.	Percentage annual growth (%)	World Bank (2023)
FDI	Foreign direct investment	Represents foreign direct investment as a percentage of GDP, indicating external capital inflows.	Percentage of GDP (%)	World Bank (2023)
TO	Trade openness	Captures trade openness through the sum of exports and imports as a share of GDP.	Percentage annual growth (%)	World Bank (2023)
GE	Government expenditure	Reflects government expenditure as a percentage of GDP, showing public sector spending levels.	Percentage of GDP (%)	World Bank (2023)
INF	Inflation	Tracks annual changes in the Consumer Price Index (CPI), representing inflation rates.	Percentage (%)	World Bank (2023)
FD_Index	Financial development index	Indicates the level of financial development in an economy with higher scores denoting advanced financial systems. Index score (0–1)	Percentage annual growth (%)	Svirydzenka (2016)

The theoretical framework for understanding the relationship between financial development and economic growth in SAARC countries builds on the Finance and Endogenous Growth Theory, as posited by Levine (1997) and Beck et al. (2000) which posits that financial development enhances economic growth through efficient resource allocation, mobilization of savings, and facilitation of trade and innovation. This foundation is extended through models integrating foreign direct investment (FDI) as a critical growth factor, as emphasized by Borensztein et al. (1998) and Hermes and Lensink (2003), who explored the role of institutional quality and absorptive capacity in maximizing FDI's growth effects. Additionally, the inclusion of trade openness, inflation, and government expenditure draws from empirical frameworks, such as those by Calderon and Liu (2003) and Khan and Senhadji (2000), which investigate macroeconomic variables as drivers of growth. These studies collectively provide a robust theoretical and empirical basis for the chosen model.

$$PCGDPG_{it} = \alpha_0 + \alpha_1 FD\_Index_{it} + \alpha_2 FDI_{it} + \alpha_3 TO_{it} + \alpha_4 GE_{it} + \alpha_5 INF_{it} + \varepsilon_{it}$$

where $CGDPG_i$ is Growth in per capita GDP of i^{th} country in t^{th} time, FDI_{it} is Foreign direct investment of i^{th} country in t^{th} time, TO_{it} is Trade openness of i^{th} country in t^{th} time, GE_{it} is Government expenditure of i^{th} country in t^{th} time, INF_{it}= Inflation of i^{th} country in t^{th} time, FD_Index_{it}, and Financial development index of i^{th} country in t^{th} time.

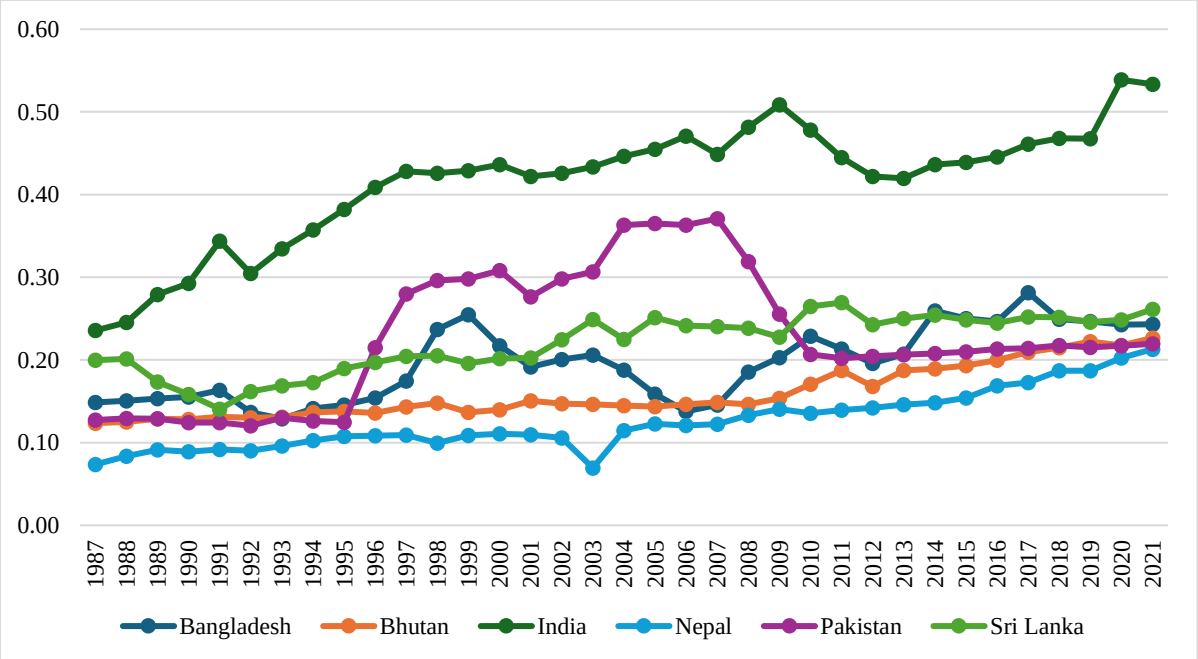
The study utilizes descriptive statistics, correlation analysis, and multivariate regression techniques to examine the impact of FDI and financial development on economic growth in SAARC countries. Prior to conducting the multivariate regression analysis, the study determines the most appropriate econometric model for the data: Pooled Regression, Random Effects, or Fixed Effects (Sutradhar, 2020). To make this determination, the Breusch and Pagan Lagrangian Multiplier test is used to decide between the Pooled Regression model and the Random Effects model. Subsequently, the Hausman test is applied to choose between the Random Effects model and the Fixed Effects model. These diagnostic tests ensure that the selected model provides the best fit for the data, leading to more reliable and accurate results.

Result and Discussion

Figure 1 presents the Financial Development Index for SAARC countries from 1987 to 2021, illustrating the trajectory of financial development in Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka. The index values range from 0 to 0.60. Over the period, India and Pakistan exhibit the highest levels of financial development, with India's index steadily rising, particularly after 2017, and peaking around 0.55. Pakistan's financial development shows significant growth from the early 2000s, with fluctuations but generally maintaining a high level compared to its regional counterparts. Nepal and Sri Lanka display moderate financial development, with both countries showing gradual improvements over time. Bangladesh and Bhutan have the lowest indices, although both countries show a slow but steady increase in financial development. Overall, the figure indicates varied levels of financial development across SAARC countries, with notable progress in India and Pakistan.

Figure 1

Financial Development Index for SAARC Countries



The stationarity test of variables is a crucial aspect of empirical analysis. This study employs the Fisher ADF (Augmented Dickey–Fuller) and Fisher PP (Phillips–Perron) unit root methods to examine the stationarity of the variables.

Table 2

Unit Root Test

Variables	At Level				Order of Integration
	Fisher Type (ADF)		Fisher Type (PP)		
	C	CT	C	CT	
PCGDPG	-7.8327***	-9.3453***	121.1491***	113.0417***	I(0)
FD_Index	-10.9974***	-11.3724***	184.5126 ***	157.8861***	I(0)
FDI	-5.9206***	-6.7155***	46.4936***	38.5342***	I(0)
TO	-10.7064***	-11.7079***	164.4293***	145.8909***	I(0)
GE	--5.8137***	-6.2067***	27.2844 ***	16.11	I(0)
INF	-6.3936***	-7.2979***	49.4753 ***	43.5898***	I(0)

Note. C and CT indicates specification with intercept only and with both intercept and trend respectively. ***, **, and * are significant at 1%, 5%, and 5%.

The panel unit root test results in Table 2 indicate that all variables in the study are stationary at level, i.e., they are integrated of order I(0). This conclusion is supported by both the Fisher-type ADF and PP tests, which show statistically significant test statistics at the 1% level under both specifications, with intercept (C) and intercept and trend (CT). The results confirm that the variables do not contain unit roots and are suitable for use in regression analysis without requiring differencing, ensuring the robustness of the subsequent econometric modeling.

Table 3

Regression Results of Pooled OLS, Random Effects, and Fixed Effects With PCGDPG as Dependent Variables

Variable	Pooled OLS	Random Effects	Fixed Effects
FD_Index	-0.0095 (0.012)	-0.0095 (0.017)	-0.009 (0.017)
FDI	1.092 ** (0.375)	1.092 *** (0.230)	1.210*** (0.242)
TO	0.055 (0.024)	0.055*** (0.0186)	0.048 *** (0.018)
GE	0.058 (0.038)	0.058 (0.038)	0.088 (0.098)
INF	-0.102 (0.069)	-0.101*** (0.0516)	-0.101** (0.0516)
Intercept	2.761** (0.807)	2.761*** (0.609)	2.841* (1.192)
No. of Observations	204	204	204
Hausman test (RE vs FE) (p-value)	117.20 (0.000)		
Breusch–Pagan LM test (pooled OLS vs RE) (p-value)	0.00 (1.000)		

Note. ***, **, and * are significant at 1%, 5%, and 5%.

After conducting three regressions, the Hausman test indicates that the fixed effects model is a more suitable choice than the random effects model. The Breusch and Pagan Lagrangian Multiplier test to determine the suitability of using either a pooled or random effects model. This diagnostic test helps in identifying the presence of random effects in the data. Table 3 presents the results of this test, highlighting whether the random effects model is appropriate compared to the pooled regression model.

As shown in Table 3, the χ^2 value of 117.2 (p-value = 0.0000) is significant at the 1% level, indicating that the null hypothesis of the Random Effects model being appropriate is rejected. This result implies that the Fixed Effects model is more suitable for the data. Consequently, the Hausman test results suggest the use of the Fixed Effects model for analyzing the impact of financial development and FDI on the growth of economy. Lastly, the F-test rejects the null hypothesis of no unobserved heterogeneity at the 5% significance level, confirming the presence of unobserved heterogeneity and supporting the use of the fixed effects model over the pooled OLS model.

The Wooldridge autocorrelation test yields a probability value of 0.326, which is larger than 0.05, failing to reject the null hypothesis of no first-order autocorrelation, indicating no serial autocorrelation in the residual. The presence of heteroskedasticity was tested using Breusch-Pagan/Cook-Weisberg test which failed to reject of null of no heteroskedasticity (p-value of 0.2172). Another test for heteroskedasticity named White's test was also conducted yielding same results. The test also yielded p value of 0.1005 failing to reject the null of homoskedasticity. Both test confirmed the absence of heteroskedasticity in the model. The model was also tested for the presence of multicollinearity using VIF analysis. The VIF for all the variables were around 1 which is way below the cutoff of 10 indicating the absence of multicollinearity. Thus, the result of fixed effect model is robust.

The results of the regression analysis in Table 3 provide critical insights into the determinants of economic growth, with foreign direct investment (FDI) and trade openness (TO) emerging as key contributors. FDI significantly influences economic growth across all models, with the strongest impact observed in the Fixed Effects model, aligning with the findings of Borensztein et al. (1998), who emphasized the role of FDI in transferring technology and expertise to host countries. Similarly, Anwar and Nguyen (2011) highlighted the growth-enhancing potential of FDI, particularly in developing regions, by improving productivity and capital accumulation. This study reinforces these arguments, indicating that for the studied economies, FDI serves as a critical channel for boosting economic output. These results underscore the importance of external economic factors, such as global market integration and foreign investment, in driving long-term economic performance in emerging economies.

Additionally, financial development (FD_Index), while often regarded as a driver of growth, shows an insignificant impact in this study. This result partially aligns with Demetriades and Hussein (1996), who argue that the relationship between financial development and growth is context-dependent, with the effectiveness of financial systems being contingent on institutional quality and governance. The weak role of financial development in this study suggests that structural and institutional barriers may limit its potential, pointing to the need for deeper financial sector reforms in the region.

Trade openness also demonstrates a positive and significant impact, supporting the conclusions of Calderon and Liu (2003), who found that open trade regimes accelerate growth by enhancing resource allocation and promoting export-led development. On the other hand, inflation (INF) negatively affects economic growth, as evidenced by its statistically significant negative coefficients in the Random Effects and Fixed Effects models. This finding corroborates the work of Rousseau and Wachtel (2002), who highlighted the adverse effects of inflation on financial market efficiency and growth. High inflation likely disrupts financial systems, reduces savings, and creates economic uncertainty, which hinders investment and overall growth.

Government expenditure (GE), although positive, remains statistically insignificant in all models, which may reflect inefficiencies in public spending or a lack of targeted investments in growth-enhancing sectors. This finding is consistent with Chandavarkar (1992), who observed that public spending in many developing economies often fails to translate into productive outcomes due to issues like corruption, bureaucratic inefficiency, and poor governance. Furthermore, the insignificant results for government expenditure may indicate that fiscal policy alone is insufficient to drive growth without complementary structural reforms. These findings collectively emphasize the importance of addressing inflationary pressures, leveraging the benefits of trade and FDI, and implementing institutional reforms to improve the efficacy of financial development and public spending. By connecting these results to broader literature, this study contributes to understanding the complex interplay of economic variables and highlights policy directions for fostering sustainable growth in emerging economies.

Thus, this study highlights the significant roles of FDI and trade openness in driving economic growth, while also pointing out the adverse effects of inflation and the limited impact of financial development and government expenditure in the studied context. The alignment with existing literature reinforces the robustness and validity of the findings, demonstrating the importance of external factors like trade and investment in fostering growth. At the same time, the contrasts with other studies underscore the need for complementary policies, such as improving institutional quality, enhancing financial sector efficiency, and addressing inflationary pressures, to fully realize the potential benefits of financial development in emerging countries.

Conclusion

This study investigates the impact of financial development and foreign direct investment (FDI) on economic growth in SAARC countries, aiming to explore their contributions to per capita GDP growth and assess their alignment with the Finance and Endogenous Growth Theory. The findings reveal that foreign direct investment has significant positive effects on economic growth, with the results being statistically robust. However, financial development had negligible negative effects on economic growth which was not statistically significant. These findings confirm the hypothesis that FDI is a critical driver of economic productivity and growth in the region, aligning with the theoretical framework of endogenous growth. However, the absence of adequate infrastructure to support financial institutions has hindered the region from fully realizing the potential benefits of financial development.

However, the study also highlights the necessity of addressing complementary factors such as strengthening institutional frameworks, improving human capital, and investing in infrastructure to maximize the benefits of financial development and FDI. Policymakers should focus on these areas to create an enabling environment that fosters sustainable economic growth. The results underscore the practical importance of implementing targeted reforms to enhance financial sector efficiency and attract productive foreign investment, thus ensuring long-term development tailored to the unique needs of SAARC countries.

Limitations of the Study

While this study provides valuable insights into the relationship between financial development, FDI, and economic growth in SAARC countries, it is not without limitations. First, the analysis excludes Afghanistan and Maldives due to data unavailability, which may limit the generalizability of the findings across all SAARC nations. Second, the study primarily relies on aggregate data and econometric models, which may not fully capture country-specific nuances, such as variations in institutional quality, governance, and policy environments. Third, the timeframe of the analysis, spanning from 1988 to 2021, may overlook more recent developments or short-term economic shocks, such as those related to the COVID-19 pandemic. Lastly, while the study highlights the roles of FDI and financial development, it does not extensively explore the potential non-linear effects or interactions with other factors such as trade policies, environmental constraints, or social inequality. Future research could address these gaps by incorporating more granular data, extending the analysis to recent periods, and exploring additional dimensions of economic growth.

Scope for Future Research

Future research can build on the findings of this study by addressing several key areas. First, incorporating more granular and disaggregated data, such as sectoral-level analysis of FDI and financial development, could provide deeper insights into their specific impacts on different industries within SAARC countries. Second, examining non-linear relationships and potential threshold effects between financial development, institutional quality, and economic growth would enhance the understanding of these dynamics. Third, exploring the interplay between financial development, environmental sustainability, and social equity could offer a more comprehensive perspective on sustainable growth. Finally, comparative studies across other regional blocks could help contextualize the findings within a broader global framework, identifying best practices and lessons that SAARC countries could adopt to foster inclusive and sustainable growth.

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Appendix: Level Data

Country	Crossid	Year	PCGDPG	FDI	GE	INF	FD_Index	TO
NEP	1	1988	5.42709	0.0195	8.96549	8.983	13.2716	3.38983
NEP	1	1989	2.01728	0.01191	10.0225	8.84689	9.26036	-1.4133
NEP	1	1990	2.12029	0.16375	8.66307	8.2397	-2.4294	-3.4847
NEP	1	1991	3.65093	0.05661	8.95389	15.5575	3.32842	7.72413
NEP	1	1992	1.23319	0.06294	7.79756	17.1495	-1.9387	20.2461
NEP	1	1993	1.08982	0.06294	8.48123	7.50539	6.61532	13.1769
NEP	1	1994	5.59738	0.07163	8.0227	8.34929	6.74439	6.8712
NEP	1	1995	1.09892	0.08358	9.24695	7.62297	4.85201	17.9617
NEP	1	1996	3.11669	0.42375	9.24741	9.22047	0.87388	-1.736
NEP	1	1997	2.94556	0.46875	8.90761	4.00999	0.57497	9.54153
NEP	1	1998	1.04366	0.24761	9.3121	11.2445	-8.9621	-11.44
NEP	1	1999	2.51043	0.08644	8.92567	7.45111	9.37362	-7.305
NEP	1	2000	4.39965	-0.0088	8.94995	2.47882	1.73315	5.98019
NEP	1	2001	3.13454	0.34709	8.10498	2.6883	-0.9387	0.16035
NEP	1	2002	-1.3663	-0.0984	8.39843	3.0294	-3.4714	-17.149
NEP	1	2003	2.52555	0.23344	8.66504	5.70701	-34.298	-4.289
NEP	1	2004	3.39014	-0.0057	8.64408	2.84181	65.1556	4.29264
NEP	1	2005	2.37237	0.03016	8.89921	6.83633	7.03484	-4.5167
NEP	1	2006	2.45308	-0.0735	8.68298	6.92034	-1.4669	1.58646
NEP	1	2007	2.65792	0.05561	9.19848	2.26922	1.09641	-0.4082
NEP	1	2008	5.44196	0.00793	9.88932	9.90783	8.99429	3.26818
NEP	1	2009	3.97072	0.29772	10.7791	11.0948	5.29461	2.26613
NEP	1	2010	4.29689	0.54829	9.99259	9.3265	-3.5755	-2.3249
NEP	1	2011	3.02418	0.43581	8.19728	9.22708	2.90544	-21.068
NEP	1	2012	4.42391	0.42369	7.89639	9.45981	2.12553	4.47739
NEP	1	2013	3.33286	0.33471	7.53434	9.04016	2.63138	10.3989
NEP	1	2014	5.70053	0.13375	8.00114	8.36415	1.452	9.83454
NEP	1	2015	3.41788	0.21303	8.812	7.86891	4.0318	1.48554
NEP	1	2016	-0.4712	0.43221	7.92602	8.79034	9.48968	-9.7507
NEP	1	2017	7.73127	0.67744	8.51854	3.6271	2.35101	5.99999

Country	Crossid	Year	PCGDPG	FDI	GE	INF	FD_Index	TO
NEP	1	2018	6.40186	0.20616	8.06154	4.06116	8.35634	8.52323
NEP	1	2019	5.45192	0.5428	8.1171	5.56869	-0.1457	1.65569
NEP	1	2020	-4.0866	0.37874	9.06773	5.05237	8.4752	-16.915
NEP	1	2021	2.44238	0.53169	8.25401	4.14968	5.14821	5.21749
IND	2	1988	7.25917	0.03077	11.6044	9.38347	4.17967	7.19626
IND	2	1989	3.67386	0.08516	11.5638	7.07428	13.6787	12.4361
IND	2	1990	3.29785	0.07374	11.2855	8.97123	4.94151	2.22921
IND	2	1991	-1.0451	0.02723	11.0787	13.8702	17.4317	9.55398
IND	2	1992	3.31687	0.09594	10.915	11.7878	-11.349	8.50833
IND	2	1993	2.62747	0.19706	11.0027	6.32689	9.68845	6.61007
IND	2	1994	4.52513	0.29739	10.4358	10.2479	6.84706	2.17085
IND	2	1995	5.45295	0.59499	10.5403	10.2249	6.94875	13.8922
IND	2	1996	5.47111	0.61748	10.3309	8.97715	6.97675	-4.1017
IND	2	1997	2.07187	0.86021	11.0287	7.16425	4.7801	3.14599
IND	2	1998	4.19892	0.62529	11.9099	13.2308	-0.5496	4.77503
IND	2	1999	6.85133	0.47264	12.1755	4.66982	0.74163	4.70951
IND	2	2000	1.96595	0.76521	11.9478	4.00944	1.70672	8.40328
IND	2	2001	2.94532	1.05638	11.7614	3.77929	-3.3404	-3.3741
IND	2	2002	1.97591	1.01157	11.3141	4.29715	0.9075	13.5243
IND	2	2003	6.01652	0.60589	10.8762	3.80586	1.82636	3.67273
IND	2	2004	6.13261	0.7656	10.4047	3.76725	3.02517	22.5918
IND	2	2005	6.20601	0.8861	10.3661	4.24634	1.84225	11.9931
IND	2	2006	6.42604	2.13017	9.80247	5.79652	3.54473	8.86348
IND	2	2007	6.09363	2.07339	9.86212	6.37288	-4.6739	-0.0836
IND	2	2008	1.63078	3.62052	10.5385	8.34927	7.27628	16.8146
IND	2	2009	6.37171	2.65159	11.4597	10.8824	5.66467	-13.295
IND	2	2010	7.01317	1.63503	11.0076	11.9894	-6.0714	6.44511
IND	2	2011	3.81807	2.00206	11.0845	8.91179	-6.8885	12.9299
IND	2	2012	4.06082	1.31293	10.6839	9.479	-5.1434	0.30534
IND	2	2013	5.01461	1.51628	10.2952	10.0179	-0.6189	-3.4943
IND	2	2014	6.08618	1.69566	10.4409	6.66566	3.98204	-9.1411
IND	2	2015	6.72107	2.09212	10.4283	4.90697	0.6756	-14.307
IND	2	2016	6.98099	1.93736	10.3085	4.94822	1.46639	-4.39
IND	2	2017	5.56833	1.50732	10.7672	3.32817	3.43186	1.64663
IND	2	2018	5.30241	1.55821	10.8232	3.93883	1.54721	7.05522
IND	2	2019	2.81187	1.78483	11.0027	3.72951	-0.0936	-8.5095
IND	2	2020	-6.6735	2.4062	11.6125	6.62344	15.2245	-5.381
IND	2	2021	8.81861	1.41217	10.4764	5.13141	-0.9666	20.3002
BAN	3	1988	0.22352	0.00692	4.16538	7.41277	1.30898	5.93408
BAN	3	1989	0.67498	0.00086	4.15394	6.04548	1.57399	3.66052
BAN	3	1990	3.40037	0.01025	4.05325	6.12672	1.31578	3.49971
BAN	3	1991	1.50047	0.00449	4.13633	6.35736	5.19509	-0.4043
BAN	3	1992	3.51973	0.01174	4.45122	3.63408	-16.17	5.52773
BAN	3	1993	2.72971	0.04236	4.95384	3.01482	-5.8663	15.9907
BAN	3	1994	1.91671	0.03301	4.88316	5.31374	9.80124	-1.106
BAN	3	1995	3.17719	0.005	4.62989	10.2978	3.04687	23.3695
BAN	3	1996	2.70625	0.02913	4.7275	2.37713	5.59815	-7.5627
BAN	3	1997	2.63849	0.2889	4.90298	5.3056	13.3359	0.95653
BAN	3	1998	3.22215	0.38024	5.12568	8.40224	35.9313	5.90511
BAN	3	1999	2.68472	0.3503	5.03962	6.1067	7.43416	1.82165
BAN	3	2000	3.3059	0.52536	4.97312	2.20826	-14.754	3.28933
BAN	3	2001	3.10044	0.14544	4.84566	2.00717	-11.8	9.46842
BAN	3	2002	1.92169	0.09558	5.02265	3.33256	4.7701	-9.7534
BAN	3	2003	2.92613	0.44596	5.1283	5.66871	2.6915	-4.5206
BAN	3	2004	3.50574	0.68947	5.17438	7.58754	-8.9593	-2.8912
BAN	3	2005	4.93097	1.17065	5.18023	7.04662	-15.352	28.0685
BAN	3	2006	5.38833	0.63586	5.44008	6.76526	-13.223	10.8004
BAN	3	2007	5.93918	0.81776	5.35946	9.10698	5.55715	4.80285
BAN	3	2008	5.07673	1.44966	5.17828	8.90194	27.6221	6.70599

Country	Crossid	Year	PCGDPG	FDI	GE	INF	FD_Index	TO
BAN	3	2009	4.12469	0.87952	5.09375	5.42347	9.34318	-5.9316
BAN	3	2010	4.37348	1.06897	5.07533	8.12668	12.8011	-5.7116
BAN	3	2011	5.17452	0.9834	5.09745	11.3952	-6.7482	25.4426
BAN	3	2012	5.20499	1.1885	5.03934	6.2175	-8.1615	1.45521
BAN	3	2013	4.67872	1.73532	5.11613	7.53041	5.67487	-3.7715
BAN	3	2014	4.74778	1.4687	5.33752	6.99164	25.1369	-3.8498
BAN	3	2015	5.29106	1.45078	5.40424	6.19428	-3.5117	-5.4546
BAN	3	2016	5.80321	0.87953	5.8653	5.51353	-1.4317	-25.547
BAN	3	2017	5.26646	0.61634	6.02233	5.70207	14.1684	-4.2587
BAN	3	2018	6.08024	0.75355	5.95917	5.54362	-11.394	8.38308
BAN	3	2019	6.68766	0.54324	6.23819	5.592	-1.0991	-2.8805
BAN	3	2020	2.2711	0.40786	5.97121	5.69107	-1.5666	-16.805
BAN	3	2021	5.71665	0.41412	5.88275	5.54565	0.13178	5.52903
SRI	4	1988	1.08838	0.6552	9.84269	13.9915	0.88078	3.325
SRI	4	1989	0.99373	0.28253	10.4847	11.5675	-13.856	1.75443
SRI	4	1990	5.07947	0.53974	9.75965	21.4953	-8.7099	6.60284
SRI	4	1991	3.32375	0.53719	9.83846	12.1856	-11.188	-0.9495
SRI	4	1992	3.16871	1.26379	9.63406	11.3834	14.9917	7.70438
SRI	4	1993	5.69374	1.88108	9.16617	11.7467	4.48704	5.9664
SRI	4	1994	4.50865	1.4202	9.67079	8.44871	2.24529	2.95962
SRI	4	1995	4.53764	0.42975	11.4716	7.67485	9.8269	2.77507
SRI	4	1996	2.97889	0.86255	10.5479	15.9358	3.92272	-3.3822
SRI	4	1997	5.67514	2.84958	10.3559	9.5737	3.68066	1.60204
SRI	4	1998	4.06848	1.22459	9.79827	9.36424	0.36079	-2.0497
SRI	4	1999	3.6882	1.12677	9.02841	4.69171	-4.5435	0.32676
SRI	4	2000	5.40185	1.05899	10.5109	6.17628	3.05688	12.5521
SRI	4	2001	-2.2942	1.09075	10.263	14.1585	0.23984	-8.7299
SRI	4	2002	2.9287	1.18828	12.7188	9.55103	10.9068	-5.641
SRI	4	2003	4.88393	1.21133	12.1605	6.31464	10.9378	-1.3086
SRI	4	2004	4.43202	1.12668	12.6298	7.57593	-9.6144	5.50425
SRI	4	2005	5.25117	1.11613	13.0887	11.6397	11.5954	-7.3965
SRI	4	2006	6.60173	1.69626	15.3619	10.0202	-3.7103	-3.183
SRI	4	2007	5.69076	1.86397	15.2722	15.8421	-0.5101	-3.7253
SRI	4	2008	4.86901	1.84753	16.1832	22.5645	-0.9033	-7.6341
SRI	4	2009	2.54392	0.96039	17.6111	3.46496	-4.4753	-22.44
SRI	4	2010	7.04349	0.81444	15.0245	6.21765	16.3255	37.4974
SRI	4	2011	7.67349	1.41088	15.4236	6.71677	1.69784	-2.9359
SRI	4	2012	7.8186	1.33592	15.8128	7.54291	-9.9023	-2.035
SRI	4	2013	3.48742	1.2111	15.8879	6.90845	3.02138	-1.8159
SRI	4	2014	5.83856	1.08281	15.9905	3.179	1.81147	-1.4564
SRI	4	2015	3.73105	0.79827	8.91066	3.76837	-2.326	-24.538
SRI	4	2016	4.61823	1.01923	8.17028	3.95889	-1.5364	-0.9515
SRI	4	2017	6.05814	1.45452	7.85323	7.70414	3.01149	1.43932
SRI	4	2018	1.53963	1.70809	8.60916	2.13504	-0.1791	5.66178
SRI	4	2019	-0.8291	0.83521	8.97255	3.52839	-2.2749	-0.7707
SRI	4	2020	-5.1293	0.51489	10.3979	6.15395	0.98327	-24.96
SRI	4	2021	3.09279	0.66843	9.45146	7.01478	5.15206	11.1646
BHU	5	1988	1.79199	0	13.1529	10.0967	1.21345	25.2019
BHU	5	1989	4.36536	0	20.4586	8.77984	2.93253	-14.497
BHU	5	1990	7.56979	0.55601	16.9549	10.0118	-0.3874	-11.042
BHU	5	1991	-2.0337	0.24969	14.1833	12.2752	2.28446	24.1058
BHU	5	1992	8.77118	0	15.0199	15.9752	-0.7551	20.7809
BHU	5	1993	6.90242	0	17.1028	11.198	0.36485	-14.173
BHU	5	1994	4.86654	0	15.5458	7.00995	4.66001	-8.4504
BHU	5	1995	5.80028	0.01721	18.8221	9.48755	0.65309	16.3412
BHU	5	1996	3.6094	0.46142	21.6999	8.79001	-1.1994	0.89003
BHU	5	1997	3.56817	-0.1987	22.7816	6.50549	5.42327	0.68764
BHU	5	1998	3.96016	0	20.266	10.5856	3.18006	0.43621
BHU	5	1999	5.36527	0.26302	19.0385	6.77699	-7.6004	0.33076

Country	Crossid	Year	PCGDPG	FDI	GE	INF	FD_Index	TO
BHU	5	2000	0.50069	0	23.9398	4.01212	2.18568	-13.789
BHU	5	2001	4.47682	0	23.6654	3.41479	7.70186	-3.9606
BHU	5	2002	7.62242	0.43362	22.6885	2.45536	-2.097	-1.1411
BHU	5	2003	5.14059	0.51697	22.3087	2.57231	-0.6345	3.65177
BHU	5	2004	2.67163	1.20486	22.8368	4.10594	-1.1851	22.2521
BHU	5	2005	4.7858	0.72187	23.862	5.31263	-0.7805	9.74939
BHU	5	2006	4.0816	0.64936	23.1583	5.00045	1.87145	10.6548
BHU	5	2007	14.6818	5.88132	20.8381	5.15611	1.67169	-1.1361
BHU	5	2008	3.29841	0.23863	20.7105	8.32716	-1.4742	-4.6524
BHU	5	2009	6.44202	1.37453	23.2326	4.36112	4.83951	-0.3873
BHU	5	2010	10.6884	4.49809	21.6674	7.03638	11.0914	5.58616
BHU	5	2011	7.12107	1.60653	21.5656	8.84899	9.92818	-2.1948
BHU	5	2012	3.95673	1.25691	20.637	10.9197	-10.303	-8.7748
BHU	5	2013	0.5784	1.06806	18.6554	8.77638	11.3323	0.93339
BHU	5	2014	4.64569	1.14395	18.4066	8.27106	1.01893	-7.5367
BHU	5	2015	5.57672	0.29936	19.426	4.54814	2.21971	1.92234
BHU	5	2016	7.46266	0.51165	18.3762	3.21989	3.394	-14.812
BHU	5	2017	2.63693	-0.6388	18.1851	4.95508	4.70598	-0.9539
BHU	5	2018	2.69039	0.10256	18.4949	2.72396	2.61681	3.84345
BHU	5	2019	5.01613	0.47562	19.1177	2.72643	3.5139	-4.535
BHU	5	2020	-10.805	-0.1134	22.3154	5.62937	-2.2048	-5.6397
BHU	5	2021	3.75252	0.24498	22.6722	7.34681	4.21799	8.00789
PAK	6	1988	3.92033	0.48474	15.5102	8.83794	1.52772	1.17677
PAK	6	1989	1.47972	0.52426	16.7849	7.84426	-0.5152	3.41733
PAK	6	1990	1.07027	0.613	15.1368	9.05213	-3.3537	1.78061
PAK	6	1991	1.72164	0.56638	14.2637	11.7913	-0.0367	1.09914
PAK	6	1992	4.91447	0.68831	12.8421	9.50904	-3.1003	6.42266
PAK	6	1993	-0.8128	0.67276	13.02	9.97366	7.99284	2.135
PAK	6	1994	0.76883	0.80512	12.021	12.3682	-3.0386	-8.9394
PAK	6	1995	1.90929	1.19175	11.7435	12.3436	-1.1712	3.06646
PAK	6	1996	1.70096	1.45605	12.6451	10.3738	72.3986	6.08139
PAK	6	1997	-1.9128	1.14723	11.8936	11.3755	30.2282	-3.8556
PAK	6	1998	-0.3723	0.81361	11.2641	6.228	5.81499	-7.7079
PAK	6	1999	0.73901	0.8448	10.3601	4.14264	0.56298	-4.9741
PAK	6	2000	1.10232	0.3096	9.91602	4.36666	3.37459	-33.602
PAK	6	2001	0.49541	0.38911	8.65571	3.14826	-10.189	9.866
PAK	6	2002	0.05288	0.84352	9.62857	3.29034	7.76626	-1.9009
PAK	6	2003	3.11875	0.47521	9.73122	2.91413	2.80006	6.57678
PAK	6	2004	5.4478	0.84559	9.68679	7.44462	18.5328	0.64168
PAK	6	2005	4.98583	1.51575	9.16096	9.06333	0.51963	20.4373
PAK	6	2006	3.84932	2.63975	11.5686	7.92108	-0.5407	10.6137
PAK	6	2007	2.23188	3.03572	10.4025	7.59868	2.14573	-6.8437
PAK	6	2008	-0.0806	2.68937	10.5821	20.2861	-13.994	11.5665
PAK	6	2009	1.1915	1.24801	11.5288	13.6478	-19.929	-2.9756
PAK	6	2010	-0.7591	1.02791	10.9188	12.9389	-19.039	-4.0144
PAK	6	2011	0.53542	0.57506	10.2266	11.9161	-2.2972	1.16803
PAK	6	2012	1.19173	0.34345	10.0993	9.68235	1.08243	-3.2249
PAK	6	2013	2.77512	0.51535	10.2598	7.69216	1.01086	-1.3688
PAK	6	2014	2.65953	0.69531	10.0274	7.18938	0.72436	-4.5984
PAK	6	2015	2.87542	0.55773	9.78896	2.52933	0.99727	-9.4389
PAK	6	2016	5.29832	0.82135	10.609	3.76512	1.65085	-7.4438
PAK	6	2017	3.05479	0.73584	10.7537	4.08537	0.32049	3.11906
PAK	6	2018	4.53245	0.48775	10.9936	5.07806	1.64465	8.45641
PAK	6	2019	0.86267	0.69615	10.7498	10.5784	-0.9856	4.63157
PAK	6	2020	-2.9703	0.6847	11.7888	9.73999	0.78059	-7.574
PAK	6	2021	4.57816	0.61604	10.9296	9.49621	1.16747	1.17584

Note. Data obtained from World Bank (2023)