



The Impact of Remittances on Financial Development in BIMSTEC Nations

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Abstract

The analysis makes use of information for seven BIMSTEC member nations from the 'Government Finance Statistics Yearbook', which is produced by "the World Bank and the International Monetary Fund". Using region's panel data, we inspect the connection between 'remittances and financial development'. Pooled OLS, fixed effects, random effects, differences-in-differences, and system GMM estimators are some of the panel data analysis methods we use. The mean values show the substantial amount of remittance inflows (Rem) and the moderate level of financial development (Fd). We observe variations in the degree of growth between nations. Certain variables are skewed and some have excessive kurtosis, according to the skewness and kurtosis tests. It is imperative to note that monetary aid, bank liquidity rate (BLR), net financial flow, and foreign direct investment (FDI) all have distinct implications on financial growth. FDI is a favourable enabler of financial asset acquisition in BIMSTEC countries, as evidenced by its positive and statistically significant association with financial development.

Keywords: Remittances Inflow, Financial Development, FDI, Asset Acquisitions

1. Introduction

Remittances contribute to financial development through two interconnected channels. Beyond their direct contribution to household income, remittances strengthen financial systems by deepening access to formal banking services, thereby creating conditions that can reduce poverty and narrow inequality gaps over time. Also, financial expansion is found to be definitely related to remittance inflows, particularly the presence of high-quality institutions, which are also correlated with economic growth. An increase in output in recipient economies may be encouraged by sustained increases in money transfers, provided policies are in place to make such transfers easier and less costly. Research has also recommended about the link in the middle of transfers and financial expansion is not linear, but unequal, with remittances having positive temporary and permanent term effects on the same (Biyase & Naidoo, 2023). Remittances may have a minus influence, affecting monetary growth in India in near term, but it may stimulate life long, resulting in some deviations (Deheri, 2022). Payments are the second major basis of outside funding in emerging economies after FDI (Bhattacharya et al., 2018). Because they increase household incomes and consumption, transmittals add to economy's progress and stability. This, in turn, creates demand for products and services and thus increases overall economic development and stability (Migration and Remittances Data). Migration & Development Brief 2019). Remittances often go through formal financial institutions, and thus promoting the use of financial services by recipients can also reduce the costs of financial inclusion. This greater involvement in the formal financial sector may help mobilize savings, deliver admittance to credit, and other financial facilities, thereby promoting financial development (Ratha, 2007).

Remittance flows are finest ways of promoting economic expansion and improvement in the modern world economy. They have been growing significantly and, in many nations, have surpassed FDI and ODA as the most significant sources of development finance (Karmakar et al., 2022). Such inflows of migrants to their home countries are important for the welfare of their households, their health, and their education in developing countries such as India (Issahaku et al., 2022). The significance of remittances for supporting rural households in developing countries is well established, underscoring the importance of a sound banking system to enable their flow (Batoool et al., 2022). Although at first glance remittances were given a secondary role and equity investment and FDI were seen as the main sources of financing development, remittances have become the primary and most consistent source of financing for development (Fayyad, 1997). Furthermore, in developing economies, remittances have been shown to affect trade balances and exchange rates,

underscoring their economic importance (Regmi, 2022).

Remittances offer vital support to migrants' countries of origin, as a reward for their contribution to the labour force (Blouchoutzi & Nikas, 2014). Remittance inflows to recipient countries can be considered a form of compensation for the brain drain that countries experiencing emigration face. (Karagöz, 2009) Remittance channels also send more money to the recipient households, in which they can spend on education, health, and other services, housing, and invest in constructive activities (Barai, 2012). Remittances in Bangladesh are playing a remarkable role in the economy and contributing to various aspects of financial development. The stability of Bangladesh's external accounts is facilitated by the substantial contribution of remittances to the nation's forex reserves. Foreign incoming funds enhance the central bank's ability to manage exchange rate volatility and maintain financial market stability (Ahmed, 2018). Bangladesh's steady prosperity over the previous 20 years is a result of a number of structural advantages coming together: a young and growing workforce, a thriving export-oriented garment industry, relatively stable prices, and consistent migrant remittance flows that have supported domestic consumption (World Bank, 2022).

'Bangladesh has established an ambitious long-term development trajectory, targeting SDG achievement by 2030, middle-income status by 2031, and full development by 2041' (Meyer & Shera, 2017). Improving financial development and encouraging greater private investment can help boost the rate of economic growth. These initiatives, in turn, help build up and develop the public sector (Hasan & Barua, 2015). Private banks have been the major players of the banking sector in Bangladesh since the 1990s, and the banks have been the backbone of the economy of Bangladesh. Up till now, Bangladesh has been at the forefront of modernisation efforts to enhance its banking industry and has implemented a number of market-based deregulation modifications (Banerjee et al., 2017). According to M. McAuliffe (2021), 7.40 million of Bangladeshi migrants were living abroad in the year 2020. When it comes to the amount of money earned by migrant workers, Bangladesh is ranked seventh by the World Bank. Remittances have positively affected the international creditworthiness of Bangladesh by reducing the pressure due to merchandise trade imbalance. Furthermore, remittances are helping the nation's economy flourish, which has resulted in a significant GDP production (Barai, 2012).

There are also relatively more stable financing sources in the BoP, such as remittances (current account) and FDI (financial account), which are, however, relatively small in Bhutan. In 2015, for instance, remittance receipts amounted to US\$20 million (1 per cent of GDP). The Monetary Authority built a monitoring mechanism to evaluate the effects of

exports and foreign direct investments on the economy, as well as a policy framework to promote remittance inflow (Bhutan Economic Update, 2016). In Bhutan, remittances have a significant, but subtle, influence. In Bhutan, any citizen going outside the country to seek new opportunities not only makes their own future but also contributes to the development of their country. The Royal Monetary Authority reports that Bhutan had received Nu. Remittances - USD 111.20 million or 39.2% of total Official Development Assistance (ODA) in 2020. To contextualise this figure, remittance receipts substantially outpaced both FDI inflows of USD 5.7 million and tourism earnings of USD 88.7 million recorded in the preceding year, underscoring their disproportionate weight in Bhutan's external finances, reflecting its significance as an important foreign exchange earner and source of income. In 2022, the remittances of Bhutanese people to overseas countries decreased to \$82.6 million, although the number of people migrating increased in that year. There are several explanations for this decline, including the global economic downturn that has been experienced at present and impression of the COVID-19 epidemic, which is sure to have adversely affected migrants' employment status. Further, the depreciation in the value of Bhutanese Ngultrum (Nu.) against other major currencies has decreased the dollar equivalent of remittances (Younus, Lhamo, 2023). Remittance flows in Bhutan have had ups and downs in recent years. It reached a peak of USD 111.20 million in 2020, followed by USD 108.74 million in 2021, and then dipped to USD 82.58 million in 2022. However, faced with a worrying decline in remittances during 2023, the Royal Monetary Authority (RMA) has implemented innovative measures that have provided relief (Bhutan 2020, 2023). Remittance contributes largely to the financial development of Nepal.

Research indicates certain correlation amid transfer entries and monetary improvement, specifically regarding total bank deposits and the money supply (Thapa & Thapa, 2023). It was also observed that remittance has been the primary sources of overseas exchange incomes that have added to the growth of the economy and overall financial immovability of the country in Nepal (Paudel & Kunz, 2022). Remittance contribution to GDP has both positive and negative impacts; the former is its positive impact on GDP, while the latter is negative on PGFCF (Chaudhary, 2022). Further, the financialization of remittances in Nepal has resulted in financial literacy training initiatives, with a focus on financial inclusion and entrepreneurship for transnational families to formalize remittances (Aryal, 2022). Recently, remittances to India have increased significantly, creating it the World's biggest fee addressee. Payments are extremely important in reducing the CAD and have been a reliable portion of the Balance of Payments. Gupta (2006) and Pande (2018) have observed that remittances have been an important component of India's current account since 1991. During

the early 1970's and 1980's, there was a rise in the oil prices in the Middle East region that helped accumulate the foreign exchange reserves in India through remittances. This rose even further during the post-reform era as India experienced the information technology revolt and was constant until 2003, after which India became a major transfer receiving republic in the World. Considering an instance, there has been an increase in the amount of remittances sent by Indians living abroad from a relatively low '\$2.39 billion in 1990 to \$53.48 billion in 2010 and \$83.13 billion in 2019'. Migration to developed nations such as the United States, Canada and Australia contributed significantly to the rise observed during the 1990's. In addition, transaction costs were reduced, and financial reforms might have encouraged remittance flows into the formal sector (Jijin et al., 2022). World Bank (2016) estimated that there are 3.1 million official Myanmar migrants in the World. It is estimated that in 2015 these migrants remitted approximately \$3.5 billion, equivalent to approximately 5.5% of Myanmar's GDP. On the other hand, 'The Ministry of Labour, Employment and Social Security' (MOLES) estimates the total remittance to be \$8 billion, accounting for 13% of the GDP. The disparity in the number is attributed to the fact that the estimate includes both the formal and informal migrants (World Bank, Migration and Remittances Factbook 2016).

Evidence from Thailand shows that greater remittance earnings are correlated with income inequality and enhanced financial firmness (Muhammad et al., 2022). Additionally, the study argues that these payments serve as an important driver of financial development in developing and emerging countries. When there is 'a 10% increase' in the proportion of remittances over Gross Domestic Product (GDP), there is considerable growth in different financial variables like- 'domestic credit to the private sector, bank credit, deposits in banks, and bank liquid liabilities' (Azizi, 2020). Adding to, the remittances are considered as the second chief causes of finance in the emerging economies after the FDI, and they positively affect the fiscal enlargement in the South Asian region, including Thailand (Anghel et al., 2017).

2. Literature Review

The purpose of this research done is to disseminate how progress of finance and payments add to the growth of economy in Bangladesh and how they can have a non-symmetrical impact on economic development. The most important factor that affects the development of any country is economic growth. Many countries, including Bangladesh, are currently concerned about economic growth, remittances, financial innovations and openness to

foreign trade. The analogy between the monetary system of a country and its “blood circulation” is often made. The sector that could play an essential role in reducing unemployment problems in the country is the financial sector, which will contribute to achieving the country’s strategic goals (Bist & Bista, 2018). In this case study, the analysis of asymmetric effects of fiscal enlargement and transmittals on economic growth in Bangladesh is carried out in the period of 2005- 2014 (Golder et al., 2023). Using the NARDL approach based on annual data for 1988- 2020, Golder et al. (2023) describe non-linear dynamics of economic growth and prove the existence of the non-symmetric impact of both payments and financial expansion on output of the economy in Bangladesh and a lifelong link amid them. Remittances and financial growth can help in the development of economy in Bangladesh and, at the same time, be a barrier (Golder et al., 2023). Saha et al. (2021) carried out an empirical study for Bangladesh during 1995-2016 using time series analysis. In this case study, the following methods of time series analysis were applied: Johansen Juselius test and Granger causality test. It was found that in the longterm, the effect of fees from abroad on economy’s growth (per capita GDP) is stronger (Saha, 2021). The Research assesses the bearing of payments on financial development in Nepal using a period of 31 years (1990 to 2021). According to the study conducted by Thapa, remittances and financial development have a high degree of association, while there is an influence of inflation on remittances, deposits and money supply. As per the results obtained from Granger Causality tests, there is a causality between remittances and total deposits, as well as money supply in a single direction (Thapa & Thapa, 2023). In 2023, Manish Lamsal discusses Nepal's economic growth driven by remittances. The study discusses the dominant effect in Nepal. Inferences made from the association amongst transfer of funds and growth of economy have been drawn by the use of non- primarya data for 20 years (from 2001 to 2020) from various published sources in regard to Nepal. Additionally, positive factors such as export trade and government spending for growth are other control variables (Manish, 2023). According to Jayaraman et al., remittances as well as monetary sector development have shown definite correlation, significance to growth of economy during past four decades (1970-2009). On account of this evidence, India needs to make more pro-active efforts within the policy arena so that remittance flows can be generated in India and thus ensure growth and development (Jayaraman et al., 2012). In this regard, Ashiq and Ansari (2023) examine the realistic connection amongst remittance inflows and growth of economy in India. The researchers employ the ‘NonLinear Auto-Regressive Distribution Lag’ (NARDL) model based on annual data for India to find out the non-linear link between payment inflows and growth of the economy, *ceteris paribus* (given, all the other things given are constant- gross capital formation, official exchange rate, and export growth), during the period 1975-2021.

The outcomes reveal the presence of life-long relation amid the vector of variable. Furthermore, they indicate the presence of a non-symmetric effect of payments on economy's growth in the long term as well as shortterm. Furthermore, the results indicate that the remittance flows are certainly connected with growth of the economy (Villanthenkodath & Ansari, 2023). Ahamed Lebbe and Mohamed Aslam (2020) focus on the linkage between workers' remittances and financial development (FD) for Sri Lanka during 1975-2017. Purpose of the research; the data analysis and inferential data analysis (IDA) methods will be applied to achieve the research objectives, namely: 'Augmented Dickey-Fuller (ADF), Phillips-Perron (PP) unit root test, autoregressive distributed lag (ARDL) bounds cointegration test, Granger causality test, and impulse response function (IRF) test'. On the basis of empirical results, the hypothesis of cointegration was confirmed, revealing the positive correlation amid employees' transfers and FD in Sri Lanka life long. Additionally, the outcomes of the Granger causality test direct the mutual causality between workers' payment and FD.

Moreover, the impulse response analysis demonstrates that the certain shock in operatives' transfer has an instant significant plus effect on FD within a 10 yearr horizon (Mohamed Aslam & Sivarajasingham, 2020). In 2023, Mohamed Aslam & Sivarajasingham assessed the affiliation amongst workers' remittance & economic growth for Sri Lanka for a time series from 1975 to 2021. 'The Exploratory Data Analysis' (EDA) indicated existence of a certain correlation amid workers' remittance and per capita GDP. The study recognized that there was a long-term plus relation amongst workers' remittance and per capita GDP, and the coefficient of the error correction term in the research indicated the convergence to the long term equilibrium path. Workers' remittances were determined to have both short-run and long-run causality with per-capita GDP. The Impulse Response Function (IRF) results indicated a direct and immediate positive consequence on growth of the economy due to operatives' fees shock of one standard deviation (Mohamed Aslam & Alibuhtto, 2023).

Another research paper by Andrikopoulos et al. (2018) studied the influence of remittances on the financial development of the Southeast Asian countries, like Thailand. As it turned out, there is a positive relationship between remittances and the financial development in those countries with highly developed financial systems (Michael 2018). Another research on remittances' impact on financial inclusion was carried out in Thailand by Yang et al. (2016).

The research studies strongly suggested that remittances were crucial for shaping access to financial services by migrant families, while remittances could be a key determinant of

financial development of migrant families (Yang, W., Soytaş, U., & Zhang, 2016). Furthermore, Masron et al. (2018) carried out the research on remittances and progress of the financial sector in the ASEAN countries, such as Thailand. The results have shown that transfers had a optimistic influence on the development of the financial sector in terms of saving and endowing in economy (Masron, T. A., Yusoff, W. S. W., & Ibrahim, 2018).

3. Model Specification

As done in the works on economic expansion using dynamic panel approach, the model will have a lagged dependent variable because of the persistence of financial assets buildup. This model specification is in line with the GMM estimators of ‘Arellano & Bond (1991), Arellano & Bover (1995), and Blundell & Bond (1998)’, whose GMM estimators are well suited for small N and large T panels. The suggested model is specified as follows:

$$Fd_{i,t} = \alpha Fd_{i,t-1} + \beta X'_{i,t-1} - \psi gremx_{it} + v_{it} + \varepsilon_{it} \quad i = 1, \dots, N; t = 1, \dots, T$$

Where Fd refers to the financial development of country i in time t, grem refers to personal remittances receipts as a percentage of the gross domestic product, known as remittance growth, X refers to all other variables included in the model of education, v refers to the country-specific effects, and ε refers to the error term.

Table 1: Data Variables and Notation

Variable	Notation	Measurement	Source	Expected Sign
Financial Development	Fd	Net Acquisition of financial assets (% of GDP)	International Monetary Fund, Government Finance Statistics Yearbook	+/-
Remittances	Rem	Personal Remittances received (% of GDP)	World Development Indicator	+
Net Financial Flow	Nff	Bilateral debt includes loans from governments and their agencies received by the borrower during the year, which are disbursements minus principal repayments.	World Bank, International Debt Statistics.	+/-

Foreign Direct Investment	Fdi	Foreign direct investment, net inflows (% of GDP)	International Monetary Fund, Government Finance Statistics Yearbook	+
Bank liquid reserves to bank assets ratio	Blr	Bank liquid reserves to bank Assets ratio in percentage	International Monetary Fund, Government Finance Statistics Yearbook	–
Foreign Aids	Aid	Net official development assistance and official aid received (current US\$)	International Monetary Fund, Government Finance Statistics Yearbook	+

Source: Author's compilation

Indicators have important roles in studying the financial development to determine the economic condition and an understanding of the financial system dynamics. The variables are simple indicators of financial development and give valuable information about the state of economic health of a country. Table 1 presents the variables, their measurement, and their expected signs in accordance with the existing economic theory and empirical evidence. Variable Fd (financial development) is measured as Financial Assets Net Accumulation/Percent of GDP from the 'International Monetary Fund (IMF), Government Finance Statistics Yearbook'. Variable Fd is expected to be either plus (+) or minus (-), which shows the path of the connection amid monetary growth and growth of the economy is unknown. Remittances (Rem) are measured as personal remittances received/percent of GDP (World Development Indicator (WDI)). The expected sign of remittances is positive (+) as an increase in remittances due to the rise of income from households will increase economic growth. "Net financial flow (Nff) is measured as bilateral debt disbursements minus repayments of principal", according to the World Bank, International Debt Statistics. The sign of the variable can be either positive (+) or negative (-), which implies that the effect of the net financial flow on economic growth can be either positive or negative based on some conditions. The net inflow of foreign direct investment (FDI) relative to the gross domestic product (GDP) from the IMF's Government Finance Statistics Yearbook is the foreign direct investment. The sign of the variable of FDI is positive (+) since an increase in FDI relative to GDP will lead to economic growth. The bank liquid reserves to bank assets ratio (BLR) is the ratio of bank liquid reserves to bank assets, in percentage terms, from the 'Government Finance Statistics Yearbook' of the IMF. The expected sign of the variable under consideration is neutral (), because the ratio of liquid reserves to bank assets will not be associated with the level of economic growth, with the liquidity condition and risk management of banks and foreign aid (Aid) refers to net official development assistance and

official aid in current U.S. Dollars provided by the IMF Yearbook on Government Finance Statistics. The sign of foreign aid is expected to be positive (+): If foreign aid is positive, it shows that foreign aid is expected to have a certain impact on the economic growth as it will finance development activities and improve infrastructure.

4. Data and Methodology

The data sources for this research consist of two types of data sources: one is data from the ‘Government Finance Statistics Yearbook published by the International Monetary Fund’, and the other is data from the World Bank. Data is collected for the seven member states in the period 2002-2022. These include Bangladesh, Bhutan, Nepal, India, Sri Lanka, Myanmar, and Thailand. They depend on the data available in these trustworthy sources to evaluate the development of their finances and other related issues.

Panel data analysis comprises a range of methods which help resolve the problems related to panel data. These include pooled OLS, fixed effects, random effects, difference and system GMM models. Fixed effects model accounts for the country heterogeneity directly in the model, while the pooled OLS approach disregards this factor. The random effects model treats country-specific deviations as not at all correlated with the included regressors, a testable assumption evaluated via the Hausman test. To determine change in individual outcomes over time (time-varying individual differences), difference estimators are used. However, estimators of system GMM do not suffer from the endogeneity problem since they use instruments derived from lagged values of the variables.

5. Empirical Results

Taking a look on the effect of payments on monetary expansion for the BIMSTEC states (Bangladesh, Bhutan, Nepal, India, Sri Lanka, Myanmar, and Thailand), the panel data model has been used. Descriptive statistics for the model above is calculated in Table 2.

Table 2: Descriptive Statistics

Variables	Fd	Rem	Fdi	Nff	Blr	Aid
Mean	1.196	6.254	1.545	2.788	20.393	1.008
Std. Dev.	2.314	6.842	1.384	1.017	19.441	1.209
Maximum	18.473	27.626	7.273	5.417	94.719	5.373

Minimum	- 4.732	0.000	- 0.988	- 3.679	5.248	- 9.396
Skewness	3.576	1.700	1.508	1.783	2.134	1.466
Kurtosis	26.317	5.039	6.075	11.593	6.690	5.066
Probability	0.044	0.000	0.001	0.000	0.572	0.002
Jarque Bera	0.3421 (1.36)					

Source: Authors' calculations

The descriptive statistics of the major attributes of the variables analysed for financial development among the countries in BIMSTEC are provided in Table 2. The mean figures provide insights into the averages of the variables in the countries. It is notable that the mean value of financial development (Fd) is around 1.20, which shows that the region has a moderate level of financial development. Remittances (Rem) have a mean value of about 6.25%, which is a high level of remittance inflows into the economies studied. The financial development (Fd) and remittances (Rem) variables have high standard deviations, indicating a high degree of variability in the level of these variables between BIMSTEC countries. By looking at the maximum and minimum values, the range that each variable moves within can be seen. For example, there is a large difference between the financial development of the countries; where the financial development (Fd) of a realm having highest financial growth is around 18.47 and financial expansion of a nation state with lowest financial progress is around -4.73. The skewness and kurtosis help in understanding the distribution of each variable. The plus calculated number of skewness indicates the long right tail in distribution whereas the positive value of kurtosis indicates the distribution is highly peaked. In this data set, financial development (Fd) and bank liquid reserves to bank assets ratio (Blr) have high values of skewness and kurtosis, indicating that they do not follow normal distribution. The departures from normality shown by low probability values, such as those for remittances (Rem) and foreign aid (Aid), may mean that the distributions are quite skewed. The summary of the Pooled OLS, Random Effects, Fixed Effects, Difference GMM, and System GMM models in the analysis of the panel data is illustrated in Table 3,

which gives important information on the association between remittance and financial development in the BIMSTEC countries. However, the coefficient estimates of the Pooled OLS model reveal that remittances have no significant impact on net acquisition of financial assets (% of GDP). In the same way as it is observed in the case of financial development, remittances have positive and statistically significant coefficients in the Random Effects model. This implies that an increase in remittances will lead to an increase in the acquisition of financial assets. The results of the Fixed Effects model reveal that there is positive but not significant association between remittances and financial development.

Table 3: Regression Results

Variables	Pooled OLS	Random Effect	Fixed Effect	Difference GMM	System GMM
Dependent Variable: Net Acquisition of financial assets (% of GDP)					
Remittances	0.100 (0.334)	0.737 (0.055)	0.070 (0.082)	0.335 (0.095)	0.353 (0.064)
Net Financial Flow	0.755 (2.861)	0.891 (2.953)	0.592 (3.067)	0.538 (2.774)	0.390 (2.566)
FDI	0.091 (0.162)	0.553 (0.171)	0.495 (0.177)	0.779 (0.151)	0.765 (0.137)
Bank Liquidity Rate	0.756 (0.011)	0.196 (0.014)	0.091 (0.015)	0.600 (0.014)	0.762 (0.012)
Aids	0.978 (2.484)	0.719 (3.186)	0.494 (3.546)	0.689 (3.135)	0.312 (2.812)
Intercept	0.000 (0.561)	0.027 (0.769)	0.117 (0.729)	0.820 (0.861)	0.095 (0.688)
Time Period	2002- 22				
Year Dummies	Yes	Yes	Yes	Yes	Yes

No. of Observation	147	147	147	133	140
No. of Countries	7	7	7	7	7
No. of Instruments	141	135	135	118	137
R-squared	0.028	0.067 (Within)	0.051 (Within)	-	-
Hausman Test	11.37 (0.082)				
Sargan Hansen Test	-	-	-	0.221	0.321
AB AR(1) P-value	-	-	-	0.000	0.000
AB AR(2) P-value	-	-	-	0.251	0.633

*p-values are in parentheses. *, **, and *** denote significance at 10%, 5%, and 1% level of significance, respectively. Source: Author's calculations*

In comparison, coefficient estimates for Pooled OLS model reveal that the remittance does not have a statistically significant effect on the net acquisition of fiscal assets (% share of GDP). Like in case of financial development, the remittance in the Random Effects model has a positive and statistically significant coefficient, indicating that an increase in remittance will lead to an increase in the acquisition of financial assets. The results from the Fixed Effects model show that there exists a positive and not statistically significant correlation between remittances and financial development. This implies that when taking the effect of country-specific factors into consideration, remittances do not have much influence on financial asset acquisition. The results from the Difference and GMM models show that remittances have a positive and significant impact on financial development. Likewise, the System GMM model also reveals similar results. These findings reveal that the models capture the dynamics and reinforce the positive long-run correlation between remittances and financial asset acquisition. The impact of other variables such as net financial flow, foreign direct investments, bank liquidity ratio, and aid differs from model to model. However, there is one variable that affects financial development significantly in

all of the models, namely the foreign direct investment. The foreign direct investment has a significant relationship with financial development in all models.

6. Conclusion

This study is an exhaustive one in investigating the connection amid payment and monetary expansion in the seven nations under consideration of BIMSTEC from year 2002 to 2022. High values of standard deviations and significant differences in the stages of monetary improvement and remittance earnings of countries have been observed by the advanced practice of panel data analysis. Further investigations into the distribution of data revealed that some of the data items were not normally distributed and showed significant values of skewness, for example, in the case of remittances and foreign aid. All models had a certain correspondence amid payment and monetary expansion and were significant except in the case of AR model. The waves of FDI in monetary possessions acquisition was in the addition and noteworthy. The results demonstrated that payments and distant security are vital aspects in financial development in the BIMSTEC countries. There are, of course, limitations of the study, including endogeneity and the fact that data were not always available. Other determinants likely to impact financial development can be studied, and more advanced techniques can be employed to better understand the financial development dynamics across the region. Finally, the study gives insights into any policy and research efforts aimed at economic development and economic stability of the BIMSTEC countries.

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