

## Remittance Flows and Economic Expansion in Asia's Developing Nations: A Panel Data Study (1971–2020)

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### Abstract

Research applies annual panel data from 47 developing Asian nations spanning 1971 to 2020, this research explores how remittance inflows influence economic growth. Utilizing World Bank datasets, the study applies Fixed Effects and Random Effects models to assess the relationship between remittances and changes in GDP per capita. Findings indicate that both gross capital formation ( $CAP_{i,t}$ ) and economic openness ( $OPEN_{i,t}$ ) are positively associated with GDP per capita growth, with coefficients of 0.3279 and 0.3268, respectively. Country-level analysis indicates that while China and South Korea receive moderate remittance inflows, they achieve high economic growth. Bhutan and Myanmar, despite lower remittance inflows, experience high GDP per capita growth, suggesting the crucial role of remittances in their economies. Vietnam, with substantial remittance inflows, demonstrates a strong positive effect on GDP growth. India, despite high remittance volumes, shows moderate growth, implying the influence of additional economic factors. The study further classifies countries into four income groups, revealing that high-income economies show limited growth due to the consumption-driven nature of remittances, while upper-middle-income economies experience the highest growth by utilizing remittances for productive investments. Lower-middle-income economies, constrained by weaker financial systems, experience moderate growth, and low-income economies, with minimal remittance inflows, exhibit minimal growth. The findings emphasize the critical role of financial infrastructure, human capital, and effective policy frameworks in maximizing the growth potential of remittances, offering valuable insights for policymakers aiming to enhance the economic impact of remittances in Asia's developing economies.

### Keywords

Remittances, Economic Growth, Panel Data Models, Asia.