

Impact of External Inflows on Standard of Living: A South Asian Perspective

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Abstract

The main objective of this study is to examine the impact of external inflows on standard of living. After empirical investigation, findings showed that with the increase in FDI, REMIT and ICTX the PCI of the said economies has increased by 0.49, 0.02 and 0.05 percentage points while TOP showed an insignificant relationship with the social indicators. With the increase in TOP there are 0.01 percentage point decreases in the PCI of the SAARC countries. On the foundation of these findings, it is recommended that to raise the PCI and standards of living in the south Asia the external inflows may be run in a manner that they positively affect all those areas of the economic system which may higher the standards of living by increasing the income per capita.

1. Introduction

Poverty is a shape of a person or social club having no access to basic necessities of life, infrastructure, better health opportunities and education (If we define poverty in simpler ways). Poverty is a state where people's basic needs of life are not fulfilled. Our concern here is to discover the ways to eradicate poverty in the South Asian region, which is the hub of the wretched.

External inflows are the inflows which a country receives in the form of foreign direct investment, remittances, foreign aid and trade, and technology of information and communication. These inflows help in fulfilling the saving investment gap, brings more capital and technology in the industries which increases the growth rate of investment. The inflows allow foreigners to borrow from the local market, encourage private overseas investment, increases liberalization in the economy, the increase in the exchange of currencies allowing some appreciation (Chanda, 2011). The effects of these inflows trigger down and create employment in the economy. The investment in the social sector increases education improves health facilities and makes the standards of living better in the long run.

Foreign inflows help to attain higher economic growth in the host country via adoption of fresh engineering, competition for resources, employee training, knowledge and export spill-overs, direct capital funding. All these together augment in modernizing an economy and sponsoring economic development (Lodhi, et al).

In 2005, the G8 leaders undertook to double assistance to countries facing chronic poverty especially in Africa. Such increase in ODA was required for reaching the Millennium Development Goals (MDGs). Such aid targeting by increasing aid volume in developing countries has not been met with cheers all around. An intense debate is taking place, whether this is the proper route to get hold of? Because this aid volume targeting is not new; in 1970 the UN set the ODA target of 0.7 percent of GNP by each economically advanced country, which is matched by only five states. Despite the big quantities of aid massive poverty persists in producing nations.

The prospect of a large increment in the flow of resources in developing rural areas in support of efforts to achieve the MDGs may certainly be worried about several kinds of

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negative side-effects of large aid-inflows; the prominent one is 'Dutch Disease'. The theory of Dutch Disease is that high aid inflows lead to appreciate exchange rate and salary inflation. Moreover, when assistance is spent on non-traded goods, demands for these goods arise. Imports cannot gratify the increased demand due to supply limitations.

The effect is an increase in costs, which leads to appreciation in real exchange rate. So, there is loss of external competitiveness and hence lower economic growth in the long-run [Serieux (2007), Agenor (2004)]. Therefore, there was loss of markets and unemployment in export and import-competing sectors. Not only countries may become unable to produce significant amount of exportable goods, but possibly there will also be some factual fine-tuning costs, e.g. currency crop manufacturing planters won't be capable to work in service sectors and building sectors. So, at that place are great pockets of despair and poverty.

Trade openness enhances growth and maturation in the host nations. It increases productive activities by investing in new projects and labor markets, also helps in increasing capital in the markets. The result is in the growth of the financial markets and institutions (Law, Demetriades. 2004).

Remittances increase the reserve assets of any country which helps in the growth of the country. But on the other hand, food, clothing, medicines, gifts, dowries, tools and equipment, domestic consumer goods are also transferred as remittances. These goods increase consumption and savings also. Another important transfer is of human capital (Chimhowu, 2005). Many skilled and unskilled migrants earn in the host country and increase their earnings along with the skill abilities. Such capacity building is highly beneficial for the home country which increases social welfare and reduces poverty.

Information and Communication Technology help in cutting poverty by improving poor people's access to training, health, government and fiscal services (Cecchini and Scott, 2003). Attacking poverty shows three primary areas: increasing opportunity, enhancing empowerment, and improving security as these areas increases poor people's assets, removed social barriers and helps in managing risk in markets.

1.2. Objectives of the Study

The primary aim of this work is to look into the impact of external inflows on per capita income in South Asia in such system:

1. To check the impact of external inflows on the per capita income of South Asian countries
2. To investigate the impact of external inflows on standard of living in South Asian countries.
3. On the basis of empirical findings of this study, it will be analyzed that whether external inflows are helpful in achieving the MDG's in South Asian economies or not.

1.3. Significance of the Study

In 2000, developed countries set their goal to get MDGs in the developing countries. We are living in the era where multi-dimensional poverty persists. People of third world countries are not only facing the lack of food, shelter, clothing and income, but no access to education, better health facilities and better sanitary conditions. Third world economies are working hard to get better physical infrastructure, higher per capita income, trade in international markets, but still their people are more prone to chronic diseases, low food productions because of natural disasters like floods and earthquakes. The result is a vicious circle of poverty.

We are dwelling in the globalized world. Every country is liberalizing their economies by opening up borders for trade, drawing foreign investment and technical progress. South

Asia consists of world's largest working age population, a quarter of world's middle class consumers, the biggest number of poor and underfed in the Earth, and several fragile states of global geopolitical importance. It is an appropriate time to analyze that what impact of these liberalizing policies lies on well-being of people because individuals are the substantial riches of any nation and development scheme must be focused for development of the masses. And then it is an appropriate time to analyze at this stage that how external sector liberalization is impacting the welfare of South Asian people

. For that purpose we have analysed the impact of external inflows on the income per capita. Per capita income plays a significant role in alleviating poverty. According to Janjua and Kama (2011), Per capita income growth played a moderate role in poverty alleviation. On the other hand, a decrease in income inequality is significant in alleviating poverty only in countries with high per capita income.

2. Review of Literature

In this chapter, a critical reevaluation of the relationships of external inflows with the health, training, standards of living and gross enrollment ratio is studied by others in the yesteryear. This chapter gives us the brief overview about the work done in the past that would be helpful for the cogitation.

The value of worker remittances has increased significantly in recent years. Remittances play a critical part in the economy's development by increasing its investment, government spending, and GDP growth (CSER, 2012). It was found that with the increase in remittances the government spending increased at an annual average of 3.2 per cent, which results in an average 0.6 percentage point contribution to GDP growth. The study revealed that the households having no access to remittances have a poverty rate at 17.1 per cent as compared to the households having overseas income at 16.2 percent.

The development impact of remittances on poverty reduction and human capital was analyzed in eleven Latin American countries by Acosta et al (2007). The authors found that in general remittances reduce poverty and increased the income distribution which in turn increases children's educational attainment. Also, remittances improved children's health, particularly among low-income households.

The efficiency of foreign assistance in boosting economic development and reducing poverty has been invariably the principal objective of development policy. The relation was analyzed by Feyzioglu et al (1998) by using cross-country samples of annual observations for 1971-90. The base sample was consisted of 14 developing nations. The relationship examined the impact of foreign aid on recipients' public expenditures. The results disclosed that the aid was neither connected with tax relief nor the aid was fungible at the mass floor. But aid is fungible when the sample was increased. The survey also brought out that developing nations were getting aid for agriculture, education, and vim. But the concessions were not being spent along the targeted sectors. It was fungible in three out of five sectors examined. At that place where little rate of restitution on the specific donor funded project.

The non-governmental systems were conducted on a central role in promoting the intensity of foreign aid on the grounds of their economic efficiency and contribution to good governance. Only the shock of foreign aid on the scheduling, operation and accountability of such organizations was questioned. The impact of official aid of NGOs was evaluated by Edwards and Hulme (1998). The survey indicated that the greater dependence on official funding compromised NGO performance in central areas, change capability, and weaken legality.

The economies started receiving a large share of aid in the form of emergency aid, program aid and Official Development Assistance (ODA). These disasters affect economies through various ways, for example the belongings on government budgets, long term

indebtedness-ness, assembling out the effects of renewal costs, monetary deficits, which ultimately slows down the production process of the economy. The situation worsens when resources, divert from productive public investment in non-productive investment e.g., providing basic needs instead of financing infrastructure investment. Consequently, some may be having second thoughts

Information and Communication Technology (ICT) increases motivation among poor people, which serves to defeat fear and motivates poor to increase knowledge about livelihoods, which reduces vulnerabilities and hence poverty reduces (Soriano, 2007 and Hashim. S and Munir. A and Khan. A. (NA). The authors claimed that in a village ICT like tele-centers are linked to other internet centers and are equipped with computers having internet facility, fax machines, telephones, television and various printed materials, free of charge. These facilities help poor people in a village to get information about agricultural techniques, pest management, possible agribusiness activities and market price information. This helps in reducing poverty.

The results of aid in African countries are not impressive. After almost four decades of development aid, the aid growth model was breaking to bring about results, the poorest African countries were even inadequate. African people were still surviving in poverty. Their per capita income, either has declined or remained stagnant. The author found out that in that location was a long run relationship between per capita real GDP, aid as a portion of GDP, investment as a percentage of GDP and openness. Whereas the long run consequence of aid on growth was found to be negative in the concerned field. Mallik (2008) in his study found that the African people did not have enough export earning required to import capital goods for investment. Alike many other poor countries, these states didn't have the revenue raising capacity for desired level of public investment. Moreover, these states had very low human capital index. Thus, the African people became more aid dependent after taking in more aid so aid bound them in debt trap.

Many researchers have shown that foreign aid increases growth in an economic system. Only when there are shocks to the foreign inflows armed conflicts may spur in the province. The relationship was evaluated by Nielsen et al (2010) using Aid data's wide-ranging data set of two-sided and multifaceted aid since 1985-2005. The results showed that negative aid shocks caused violent aid shocks in the economy. According to the study, sudden aid shortfalls made governments' relatively less able to preserve the peaceful status quo at present and into the future by making investments in the military and side payments which would precipitate armed conflicts in the state. The authors suggested a gradual removal of aid over time because the sudden large decrease might be deadly for the states.

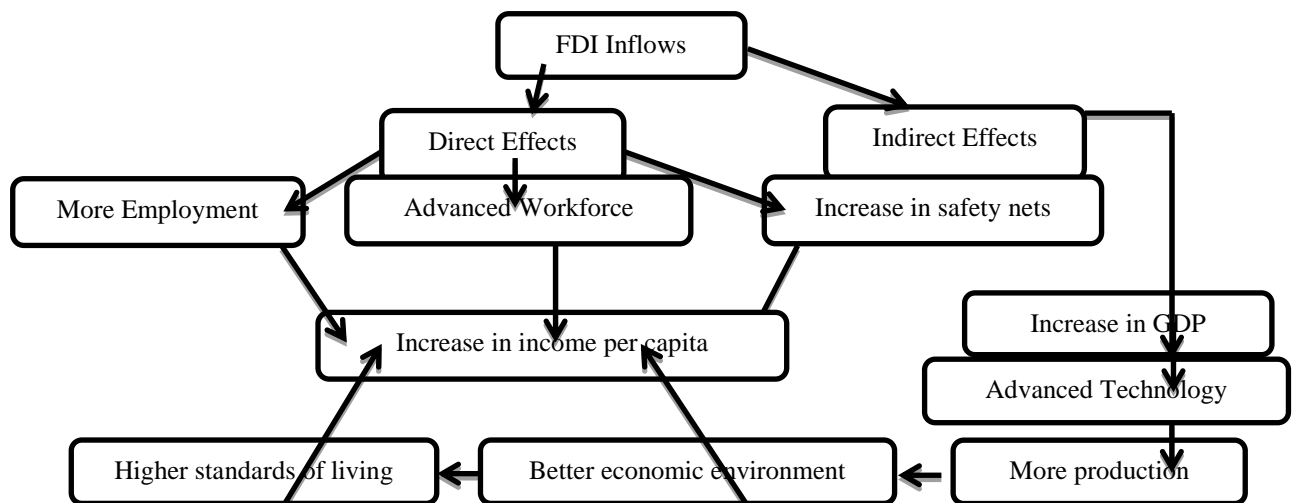
The relationship between foreign aid and public expenditures was studied by Devarajan and Swaroop (1998). The survey discovered that aid granted for economic and social sectors often substituted for spending. The aid grants released increased the consumption pattern in the country rather than increasing the rate of achievements in the crucial social and economic sectors. This resulted in the decline in the productive investment and hence low rate of growth the recipient economies.

Foreign inflows are an important source for economic growth in developing countries. Impacts of foreign direct investment in poverty reduction in Vietnam were analyzed by Hung (NA). The author used panel data collection during the period from 1992 to 2002. He used 12 provinces and cities of Vietnam. The author used two regression models: first the relationship of FDI and economic was analyzed, then the impact of growth and FDI on poverty reduction was analyzed. The results revealed the noteworthy and positive impact of FDI on trade and industry growth and poverty reduction. The survey also indicated that in labor intensive countries FDI played a confident role in poverty reduction as a Vietnam like other developing countries had a competitive advantage in labor intensive productivity.

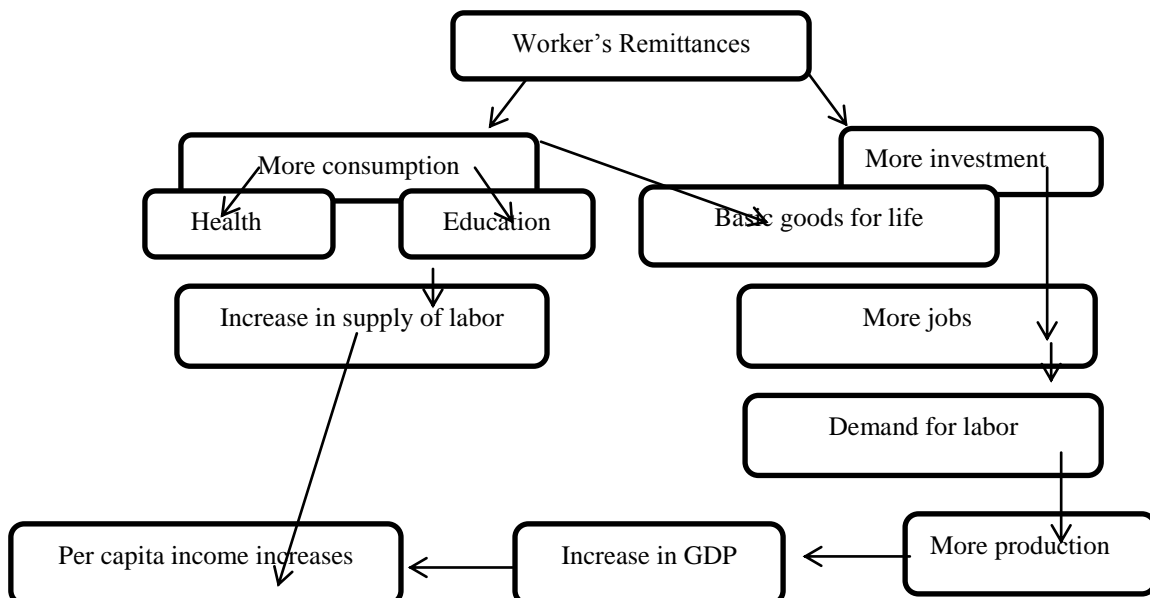
3. Theoretical Framework

Foreign direct investment in the developing countries is increasing potential contribution to the development. As FDI increases investment and thus creates high quality jobs in a country. FDI also contributes in the better and modern ways of production, which makes better living standards. More consumption of food, shelter, health and education, there is more reduction in poverty.

FDI reduces poverty directly and indirectly. Directly it increases employment opportunities and demand for labor. The result is an improvement of workforce and safety and hence poverty reduction. Indirectly it increases economic growth by increasing GDP, improvement of technology so there is more production. The result is a better economic environment and better standards of living (Hung, Tambunan, Date Not Available). The discussion can be drawn in a flow chart given below

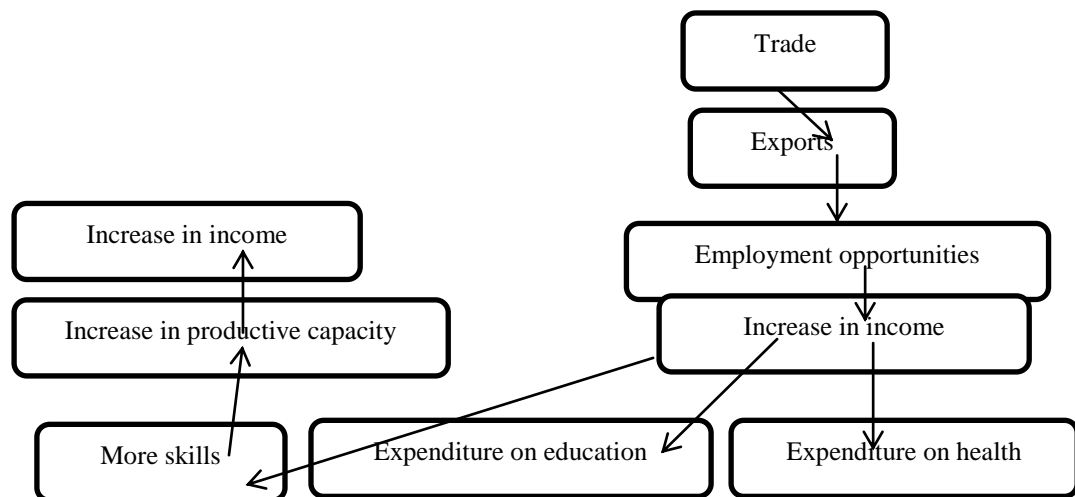


Worker remittances are an important source to eradicate poverty in the developing countries. It increases consumption of the households on basic goods of life, education and health. More educated persons in a family means more supply of labor. It also increases household income of the recipient families which allow them to buy more assets and more investment. Investment creates more jobs in the economy and more productive. Hence there is an increase in GDP and income per capita, which declines number of poor people below poverty line (UNCTAD, 2011 and Goff, 2010 and Hoti, 2009 and Richard et al, 2005). The theory can be drawn in a framework:



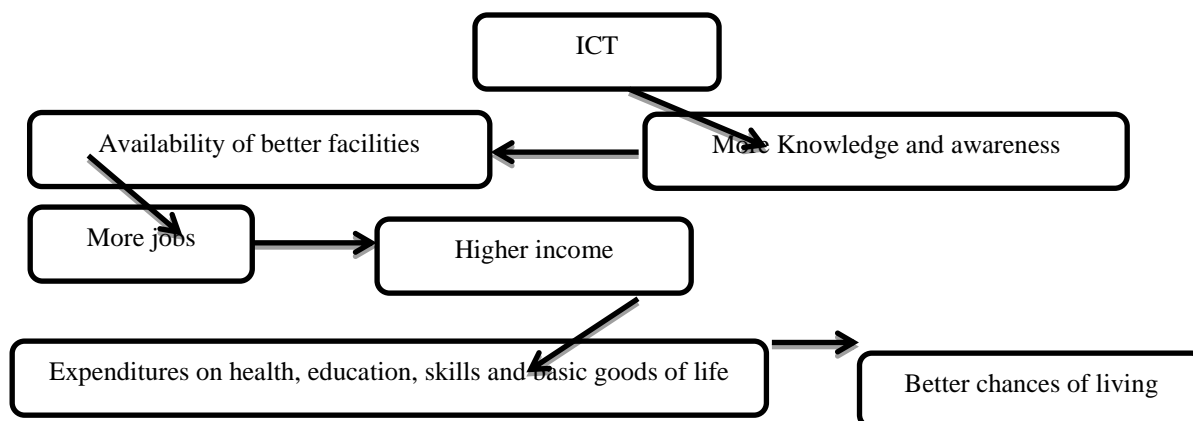
A positive side of large inflows in developing economy is that fiscal deficit decline which in turn increases public and private investment in the economy. With the increase in investment capital stock increases and demand for educated labor increases (Agenor et al. 2008). To fulfill this demand supply of labor increases and level of per capita income rises. Increase in income per capita, public health capital, infrastructure, productivity rises in an economy. This results in domestic growth output and a reduction in poverty.

Trade liberalization is an opening of gates of trade to international markets. In developing countries trade helps in the economic growth by increasing the exports and imports. When in an economy exports increases productive capacity increases, which in turn increases employment opportunities. Increase in employment means an increase in the income of the poor. When income is increased, people spend more money on health, education and skills. The result is a gain in increase of productive capacity because of better health and better skills, again economic growth and increase in income and the cycle continues (Lopez and Thirlwall, Date NA. Vos, 2007. Bhagwati and Srinivasan, 2002. Topalova, 2007). This trade cycle helps people to come above the poverty line.



Sen (2000) assist the process of development in the developing economies. Some of the variables she used in her study are as follows: first, the literacy rate in any country is a direct contribution to the expansion of human capabilities. It further expands employment opportunities and gradually increases knowledge and hence increases welfare in an economy. Secondly, a higher life expectancy shows more children are surviving their most dangerous early years, and thus have a high potential to live to adulthood. Also, infrastructure is also a measure of development in the economy. Sen measured infrastructure by the number of telephone lines per one hundred people. Access to telephones provides communication (with loved ones) facility which is an important measure of human well-being. Infrastructure also includes transportation, which means increasing mobility.

Information and communication technology (ICT) is responsible for the increase in knowledge and awareness. This increase in information helps people to know more and better chances of living and livelihood. Educated persons get more and better jobs and raise their standards of living. It also increases their income and ultimately there is more consumption on health and education (Soriano, 2007 and Hashim.S and Munir. A and Khan. A. NA). The cycle continues and more people are out of poverty. Communication technology helps to know about more facilities and so there are less chances of their exploitation. Theory can be plotted in a framework given below:



4. Operationalization of Variables

Poverty: Poverty is a marked deficiency in welfare, and embraces many measurements. It contains small wages and the failure to obtain the basic goods and services essential for existence with self-possession. Poverty likewise incorporates low ranks of healthiness and learning, humble entrance to hygienic water and health, insufficient physical safety, lack of voice, and deficient dimensions and chance to better anyone's existence.²

Foreign Direct Investment: It is a net influx of investment to acquire a lasting interest in or management control over an initiative operating in an economy other than that of the investor. It is the amount of equity, capital, re-invested earnings, other long term and short term capital.

Trade Openness: Trade openness is made here by adding annual data on imports and exports and then splitting up it by GDP of the nation.

Information and Communication Technology Index (ICTx): In this written report, we have used an index of ICT. The index is designed by multiplying the data of fixed broadband internet subscribers (per 100 people) and internet users (per 100 people), mobile cellular subscriptions (per 100 people), and telephone lines (per 100 people) with 25 and then adding all the variables.

Remittances as percentage of GDP: Remittances are classified as current private transfers from migrant workers resident in the host country for more than a year, irrespective of their immigration status, to recipients in their land of descent.

Income per capita: Income per capita is measured in terms of GDP.

5. Data and Methodology

In the study the yearly data are collected for SA economies for below stated variables extending from 1980-2011 from World Development Indicators. In this study, pooled OLS, fixed and random effect models are relevant. Following models have been estimated to investigate the impact of external inflows on income per capita in SA economies.

Methodology

In this study panel data is cast-off to set having an equal number of observations for each indicator (cross-section) and for finest model choice we have used Swamy and Arora test. We also have used fixed effect model (FEM) and random effect model (REM) for assessment of the data.

3. "Poverty and Inequality Analysis". Poverty Reduction and Equity. WorldBank.org. Retrieved on 20-06-2012.

Data is taken from world development indicators (WDI) consists of indicators of external inflows and PCI. To check the impact of external inflows, the indicators of FDI as percentage of GDP, remittances as percentage of GDP, trade openness as percentage of GDP and index ICTx have been used. ICTx is an index of fixed broadband internet subscribers (per 100 people), internet users (per 100 people), mobile cellular subscriptions (per 100 people), and telephone lines (per 100 people). In South Asia we have selected four economies, Bangladesh, India, Pakistan and Sri Lanka. . We are interested in finding out how FDI, remittances, trade openness and ICTx affect the PCI of the said economies. Data for each country on the above mentioned variables is taken for the period 1980-2011. So there are 12 cross-section units and 32 time periods. In all there are 384 observations.

Model:

$$PCI_{it} = \beta_0 + \beta_1 FDI_{it} + \beta_2 REMT_{it} + \beta_3 TOP_{it} + \beta_4 ICT_{it} + \varepsilon$$

Where

PCI= Per Capita Income

FDI= Foreign Direct investment

REMT= Remittances

TOP= Trade Openness

ICT= Information and Communication Technology

Data on EDU, FDI, REMT, FAID, TOP and ICT is collected from WDI. The data on FDI, FAID, TOP, REMT are measured in percentage of GDP While an index of ICT have been used. While EDU, HLTH and PCI are measured by using Panel EGLS and Hausman Test because this model is best fit to detect the impact of external inflows on multi-dimensional poverty.

a. Panel Data

The main grounds for using panel data is that it aids in controlling unobserved variables and gets out the multicollinearity among explanatory variables, if exists. Also serves to sort out model temporal effects without aggregation bias. It gives more informative information.

Panel data improve the efficiency of econometric estimates as it normally has more degree of freedom and more sample variability than cross-sectional data which is T=1 and N=1. It besides causes a larger capability for capturing the complexity of human behavior than a single cross-section or time series data because it constructs and tests more complicated behavioral hypothesis by controlling the impact of omitted variables and uncovering dynamic relationships. This assists in getting more precise predictions for individual outcomes by discovering the behavior of other individuals (following the principle that individual behaviors are like). Moreover, it provides micro foundations for mass data analysis as it conjures up the representative agent assumption (Hsiao, 2007). It simplifies computation and statistical inference because it includes two dimensions: a cross-sectional and a time-series. It makes computation simpler as it analyses non-stationary time series data and measures errors that can precede to a un-identification of an econometric, When a variable is censored, its real value is unobserved. To solve the problem integration is carried over the censored range to obtain the likelihood of the observables.

Panel data are of two types:

- Balanced panel data which comprise an equal number of observations for each variable.
- Unbalanced panel data which bear an inadequate number of observations for each variable.

b. Panel OLS

Presuming that all coefficients are constant across time and individuals, we accept that there is neither significant country, nor significant temporal effects, we could pool all of the data and extend an ordinary least squares (OLS) regression model;

$$PCI_{it} = \beta_0 + \beta_1 FDI_{it} + \beta_2 REMT_{it} + \beta_3 TOP_{it} + \beta_4 ICT_{it} + \varepsilon$$

Where i stands for the i th cross-sectional unit and t for the t th time period.

c. Fixed Effects Models

With fixed effects models we do not estimate the effects of variables whose values do not vary across time. Preferably, we control for them or casting them away.

d. Random Effects Models

If subjects change little or non at all across time, a fixed effect model may not work very comfortably or even at all. In that location needs to be within subject variability in the variables even if we are to use subjects as their own controls. If there is fixed variability the standard errors from fixed effects models may be too great to bear. These examples will also figure the effects the time invariant variables, but the estimates may be biased because we don't control for omitted variables (Akbar et al, 2011). In the random effects model the intercept is assumed to be a random outcome variable, whereas the random outcome is a mapping of a base value plus a random mistake.

After accumulation of above mentioned variables, I have matched the characteristics/description of the variables. In the first step I have checked description of all variables with the values of mean, median, standard deviation, kurtosis, skewness, J-B statistics, probability etc. These all are applied for the normalcy of the selected series.

In the second step I have estimated correlation analysis between all variables. This analysis also explains the existence of multi collinearity between independent variables, if any. These estimations show that there is no multicollinearity in independent variables because no value is close to one.

To determine the effectiveness of fixed or random model for the data analysis, the Hausman test is done to test the appropriateness of the random effects estimator.

6. Descriptive Analysis of Study Variables

To check the relationship among the variables descriptive statistics are used. With the help of descriptive statistics the basic features of the data in the study can be described.

Table 1: Descriptive Analysis

	PCI	REMIT	TRADE	FDI	ICTX
Mean	1379.390	4.496855	40.10958	0.782181	3.093759
Median	1275.247	3.954111	35.25329	0.614509	0.266305
Maximum	3354.394	11.77337	88.63646	3.904417	28.19992
Minimum	272.9112	0.729847	12.00868	-0.030814	0.029458
Std. Dev.	715.4337	2.570272	20.75043	0.776934	6.008988
Skewness	0.585560	0.668411	0.718289	1.672259	2.347980
Kurtosis	2.613393	2.818684	2.410414	6.448716	7.768223
Jarque-Bera	8.048553	9.630665	12.76015	122.1287	237.0031
Probability	0.017876	0.008105	0.001695	0.000000	0.000000
Sum	175182.5	571.1006	5093.917	99.33695	392.9074
Sum Sq. Dev.	64492525	832.3936	54253.14	76.05699	4549.600
Observations	127	127	127	127	127

The per capita income lies between 272.9 million to 3354 million. The mean and median of PCI is 1379.3 and 1275.2 respectively. Remittances as percentage of GDP lies between 0.7 to 11.7 and its mean and median values are 4.5 and 3.95 respectively. Trade as a percentage of GDP lies from 12 to 88.6. Its mean and median values are 40.1 and 35.2 respectively. The minimum value of foreign direct investment is negative, whereas its maximum value lies in positive range and its value is from 0.03 to 3.9.

Table 2: Correlation Analysis

	GER	LIFE	LIT	PCI	REMIT	TRADE	FDI	ICTX
PCI	-0.302927	0.115770	-0.131179	1.000000	-0.070949	-0.187291	0.512170	0.586505
REMIT	0.306346	0.567710	0.343502	-0.070949	1.000000	0.600526	0.251799	0.358213
TRADE	0.843838	0.841192	0.847475	-0.187291	0.600526	1.000000	0.472979	0.193188
FDI	0.330624	0.568804	0.456824	0.512170	0.251799	0.472979	1.000000	0.503989
ICTX	0.172947	0.447379	0.309900	0.586505	0.358213	0.193188	0.503989	1.000000

GER and PCI are negatively correlated and its value is 0.3 among SA economies. The Per capita income is negatively correlated with GER, literacy rate and remittances. With all other economic and political indicators it is positively correlated and its values lie from 0.009 to 1. Income per capita is negatively correlated with remittances and trade, whereas FDI, trade, remittances and ICT are positively correlated with each other and other social and political indicators. ODA is negatively correlated with PCI and with all other indicators it is positively correlated.

7. Empirical Analysis and Discussions

7.1. Role of External Sector in Standards of Living

The impact of external sector on standards of living is measured as follows:

$$\begin{aligned}
 PCI_{it} = & 1.58 + 0.49 FDI_{it} + 0.02 REMT_{it} - 0.01 TOP_{it} + 0.05 ICT_{it} \\
 & (0.09) \quad (0.06) \quad (0.02) \quad (0.002) \quad (0.008) \\
 & [16.85] \quad [7.13] \quad [-0.93] \quad [-5.95] \quad [6.05]
 \end{aligned}$$

Where $R^2 = 0.62$ and adjusted $R^2 = 0.61$ and F-Statistic = 51.18.

With the 1 percent increase in FDI there is a 0.49 percentage point increase in PCI. The results showed a significant relationship with PCI. The reason might be the arrangements for employment opportunities, capital and a means of transferring technology and skills which provide access to international markets and is also helpful in reducing poverty in the host countries (Hung. T. T. NA)

The results revealed that when REMT increased by 1 percentage point, the PCI increases by 0.02 percentage points. Empress showed that remittances received by the country may or may not affect the economic growth. If the remittances are increasing savings or investment of the country's households than the remittances are causing positive economic growth. But, if the remittances are causing high marginal propensity to consume, then may not be directed towards investment. They may tend to stimulate additional consumption. The result might be better household welfare, but not better economic growth (Barajas et al, 2009).

Trade liberalization increases imports and exports of the host nation. The answers disclosed that when TOP increases by 1 percentage points, PCI decreases by 0.01 share points. The consequences are showing the slight negative relationship with PCI. Trade openness combines imports and exports. In the South Asian economies portion of imports is more than exports. The reason is that when imports increase in a country capital outflow so negative impact on the economy because of the outflow of investment which might be useful for the economy if invested within the country.

ICT showed a substantial relationship with the PCI. When ICT increases by 1% there is an increment of 0.05 percentage points of PCI. With the increase in ICT means there is an increase of awareness to better opportunities of livelihoods, increase in skilled workers of an economy as information technology provides abilities to consumers to gain skill from all over the world as because of technology the world is a global village nowadays. The result is increase in higher wages and income per capita.

8. Conclusion

In this work, we have examined the impact of external inflows on income per capita. For that aim, we have looked into the impact of FDI, remittances, trade openness and ICTX on the evolution of PCI, and standards of living.

The findings showed that with the increase in FDI, REMIT and ICTX the PCI of the said economies has increased by 0.49, 0.02 and 0.05 percentage points while TOP showed an insignificant relationship with the social indicators. With the increase in TOP there are 0.01 percentage points decreases in the PCI of the countries.

On the foundation of survey findings, it is recommended that to raise the PCI and standards of living in the south Asia the external inflows may be run in a manner that they positively affect all those areas of the economic system which may higher the standards of living by increasing the income per capita. There may be a formation of an institute of evaluation and monitoring for the full exercise of external inflows along with the awareness programs on mass media among masses. There should be some arrangements for the improved organization and capacity building of the public sector administration and planning for implementation. There also may be establishment of links between development strategies and assessment frameworks. There also may be better targeting towards the least developed economies.

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