



Examine the Impact of Governance on Economic Development in South Asian Developing Countries

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ARTICLE INFO			ABSTRACT
Article History:			<i>The main goal of this study is to figure out how economic development and governance work together in Pakistan, India, Bangladesh, and Sri Lanka, which are most developing countries in South Asia. Panel ARDL/PMG, Kao Residual, and Panel Granger tests along with this diagnostic test are also used have all been applied for this analysis. The period considered is from 2000-2020, using annual secondary data. Findings designate that long-term economic development is positively correlated with political stability, government effectiveness, gross capital formation (GCF), the labor force (LF), and FDI. Long-term economic growth is inversely correlated with corruption which suggests that corruption hampers economic growth. As a result, good governance is necessary for a nation's ability to prosper economically. Because of this, governments must come up with effective ways to encourage good governance, taking some of the things in this study into account.</i>
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Introduction

Any country's economic progress depends on economic growth. When a nation's national income rises, the people benefit. Since there is no secret formula for helping nations improve their economies and become developed nations, in this sense, it is necessary to use a nation's resources more logically and efficiently, something that is now exceedingly challenging. The governance capacity is one of the most essential parts a nation should possess in order to achieve this (Kadhim, 2013). Furthermore, Douglass North writes in his book from 1990 that it is "just debatable" that institutions determine how well economies perform. So, it can be said that a country's governance

system has a lot to do with how well it can keep its economy growing in the long run. The idea of governance is as old as human evaluation itself, dating back to the time when people first learned to reside in groups or company. The term "governance" originated as these societies learned to make decisions and put them into action in order to maintain order in their surroundings. The word derives from the Latin and Ancient Greek verb "kubernan," which means to guide or direct, and was originally used by Plato. Its original meaning is "control, direction, and manipulation." "Governance" was changed from being a political term to a term that is now often worn or used in the profitable and social spheres in British and many other European languages. In the 1990s as its use and importance grew, political scientists and economists revised and spread it. It was given fresh significance by Western economists and political scientists. The term "crisis in governance," however, was first used by the World Bank (WB) in the report related to issues with African development (Harrison, 2004).

Afterward the word "governance" has grown in significance in learning of political enhancement and is particularly used to describe official and political position of postcolonial and developing nations worldwide. Governance is also the way that any system (like a government or a market) can control any degree of a social structure, whether it's formal or informal, based on their own laws. These laws can be found on certain standard organized force class or power as well. Furthermore, it is a process by which laws, customs, and behaviors are attentively thought out, meticulously crafted, perpetuated over time, and officially governed and held accountable. Any institution's level of formality can be altered by increasing its reliance on internal regulations and by establishing relationships with various business partners on the outside. The developmental and bearing processes by which practices and organizations are created and convey out their activities are referred to as "governance" in the most abstract sense. The decisions made regarding the actions and procedures to be followed in organizations either a good or harmful intention for their own gain or benefit. When the governance concept was finalized in this way, it may be applied to any condition, corporate firms and connection, non-profit or non-governmental organization (NGOs) project organ, and a group of workers engaged in specific endeavors. The processes of enforcing laws and using one's power to address political, economic, or administrative challenges comprise governance. It also determined to use more efficient means of managing the nation's resources. "Government relied on the procedures and processes of any system by which citizens and groups may convey their interests, avail themselves of legal rights, fulfill their obligations, and negotiate over their conflicts" (Rizal, 2012).

In a state-run system, governance is a wide idea that surrounds all aspects of the process of managing the government and is not just concerned with whether it can function. Other players who may have an impact on this process include powerful capitalist, publican, religious clerics, various interest and pressure class, etc. according to the Canada Institute Governance, is the procedure by which the community or institution decide who to involve, how to involve them, and who to hold accountable for their actions (Graham *et al.*, 2003). Although every definition of "governance" refers to organizational governance, this term has a wider meaning in relation to the country and government. Because the concept of governance is unclear, the specific study of governance can be related to and recognize as "management" and "good governance" for "development." Although historically connected to state, it now has a wide point of view that describes governance.

Economic development is a key factor in all nations' governance. In a nation, governance describes the undertakings over which power is exercised. The way in which governments are chosen and evaluated, their capacity to develop and apparatus strategy successfully, and the respect that people and provinces have for the federal level of government are all aspects of governance. The way and

effectiveness with which nations communicate with one another is referred to as "global governance" (Kaufmann & Kraay, 2019). In 1992, the WB issued governance and development, which explain governance as the way in which force is used to control the nation's economic and social resources in order to promote development. The relevance of a governing role in the growth of a nation was made clear by this definition. As the consequences of good governance engulfed nations, the WB verified a clear explanation of governance as that which is summed up by predictable, open, intelligent, and transparent policy-making procedures. Professional bureaucracy, a responsible executive branch of government, and an engaged civil society in public affairs—all while upholding the rule of law. Up until now, these all explanations have captured both the fundamental idea of governance and its consequences. By "the technique by which authority is applied in the management of a nation's political, financial, and social resources used for development," the WB explained governance in 1993. As a result, the World Bank has long emphasized state reforms and balances that primarily emphasize common administration preservation and privatization.

The world bank characterizes good governance as having a lawful structure for progress (equity, respect for human rights and liberties), competent open space management, feasible and economy, accountability, trade, and a free flow of information, and viability and economy (Stevens & Gnanaselvam, 1995). According to the WB focused on four key elements when defining great governance: capability, ability, authenticity (a government should have the competition of the administered), and accountability (ensuring transparency and being accountable for activities and media opportunities). In this sense, it also referred to the viewpoints of researchers and academics like (Kaufmann *et al.*, 2010; Ramaano, 2021). Similarly, Graham *et al.* (2003) defined great governance as a participative approach to managing volumes in a competent, accountable, and upfront manner in light of the values of effectiveness, validity, and agreement with the goal of proceeding the rights of individuals and the interests of the general people, indicating the activity of partisan will for guaranteeing the physical welfare of society and feasible improvement.

Governance in Developing Countries

Governance is one of most important factor that is central to economic development in most of the developing countries (Ahmad *et al.*, 2024). The economy would be distorted by poor governance, fostering a corrupt atmosphere. This is especially true if there are no boundaries that clearly separate the public from the private domains and if there is little control. The state's ability to fulfill its duties (such as providing for the common good, regulating the market or acting as a re-distributive agent will be compromised if poor governance persists (Abed & Davoodi, 2000). The primary risks and impediments to fewer developing countries (LDCs') growth have been divided by the United Nations growth Programme (UNDP) into internal and external risks. Weak governance (such as a lack of transparency, a disregard for human rights, an ineffective public sector, and corruption) is one of the internal hindrance factors. LDCs appear to be particularly impacted by corruption, which is still a significant issue globally and in the Asia-Pacific area. Therefore, reducing corruption ought to be one of the key government initiatives that has a direct impact on poverty. Due to several internal and external obstacles to effective governance, the Pacific and South Asian LDCs are regarded as high risk countries in this respect. After the Asian crisis, macroeconomic and fiscal performance was maintained, but in most of Asia-Pacific, the performance of LDCs' governance and institutions continues to be a major concern (Keuleers, 2004). The absence of fiscal discipline is another sign of bad government. Persistent inflation can result from ongoing fiscal deficits that are frequently supported by weak central banks creating new money. In Pakistan, only a small number of scholars have centered on and even attempted to

investigate the causes of low economic growth due to political factors the majority of their work has focused on identifying the causes of inhibited economic expansion (Gill, 2010).

Ali et al., (2013) looked into political and economic aspects to forecast the causes of Pakistan's unstable economic development and poor investment. According to the report, the main causes of poor economic performance and lesser investment have been non-economic problems such political instability, repeated regime transitions, corruption, and political instability. These extra-economic issues rendered the nation risky and uncertain. Due to this danger and volatility, home investors have removed their money from Pakistan and invested it in neighboring countries in search of higher returns. The weak economic growth in Pakistan has been attributed to this capital movement. Therefore, this study examines how good governance affect sustainable development in South Asian developing nations, aims to better understand sustainable development. This study aims to help policymakers and suggest ways to improve the institutions of developing countries so that they can keep growing at a steady rate, even though there are already many problems with governance in developing countries. Broadly speaking, one of the outcomes of effective governance will be economic growth. Most significantly, as the literature has noted, there is not enough indication to support a connection among good governance and economic growth. It is significant to identify the substantial governance elements that influence economic growth in order to implement effective policy interventions. As a result, the primary aim of the study is to define how governance affects economic growth in developing South Asian countries.

Numerous researchers use various approaches and data sets to examine how governance affects a nation's long-term economic growth. Some of the results show that there is a tough positive link among these two variables. Several studies are done by (Ahmad et al., 2024; Nazir et al., 2013) which results shows positive link between governance and EG. However some Scholar's believed that poor governance had a negative effect on long-term EG. As a result, another group of scholars maintains that there is no connection between these two variables. In light of these different results, this study observed the long-term impact of governance on EG in different countries and suggested ways to help a country's long-term EG. Moreover, examining how governance affects EG in South Asian developing nations is the major goal of this study, which will also make recommendations for policy changes to enhance that influence. This study will help policymakers, economists, and social scientists build effective strategies for improving governance and its effects on economic growth. It will moreover deliver an understanding of how governance may be made effective to promote the EG of developing countries.

Theoretical Literature

Kaufmann et al. (2002) say that better governance comes from more wealth, not the other way around, and that growth can be achieved without changing institutions or getting the government involved. The stated, "The lack of understanding of how politics affects governance and the results of development is one of the most challenging issues in the subject of governance." Similarly, Grindle (2012) shows her concern regarding the notion that effective government is key to the advancement of a country. She based her case on China's economic expansion, which despite scoring poorly on most governance indices over the years has had rapid economic growth. Kaufmann et al., (2005) divide indicators of good governance into six categories: rule of law, CC, government efficiency, PS, and regulatory-quality, Literature has clearly proven the importance of these factors (Sibt-e-Ali et al., 2021; Easterly et al., 2006; Fisman & Svensson, 2007).

Empirical Literature

Yerrabati and Hawkes (2015) concluded that, with the exception of government effectiveness and regulation, the bulk of governance indicators have no noticeable impact on EG. This was found using meta-synthesized techniques based on 29 studies with 554 estimators. They came to the conclusion that empirical studies on governance and growth had not remained able to show the real effect of governance on growth. Bayar and Ozturk (2016), empirically investigate public governance and economic expansion in the multinational economies of the EU from 2002-2013, and adopted static panel analysis. He found that all aspects of governance, with the exception of regulatory quality, statistically influenced growth positively, with political stability having the least impact and rule of law and the corruption control (CC) having the most. Similar results were obtained by Tarek and Ahmed (2013) who used the similar procedure to look into governance and economic performance in emerging nations. They said that better governance would boost long-term economic growth by a lot and fix the problems with institutions that always hold these countries back. Fayissa and Nsiah (2013) use 28 sub-Saharan African countries between the years 1990 and 2004, as well as Adams and Mengistu (2008) on privatization governance and economic progress in developing countries between the years 1991 and 2002, have used similar methodologies and come to similar conclusions as Bayar and Ozturk (2016) and Tarek and Ahmed (2013) are the most recent studies in this field.

Alomaisi *et al.*, (2016), used multiple regression models to look at how governance affects development in Yemen. They found that rule of law and political instability were the most important factors for economic development in Yemen. . All other variables were found to be non-significant. Kaufmann *et al.* (2010) discovered a high optimistic association among per capita income and global governance effectiveness using correlation analysis for one hundred seventy three (173) nations between 2000 and 2001. Moreover, they developed an empirical method that enables them to divide this association into two components. The first observation supports earlier research on the significance of sound governance for economic growth. The second outcome, on the other hand, is less well-liked and argues that stronger governance is a positive feedback loop that is powered by rising earnings. This result is identical to that made by Habyarimana and Dushimayezu (2018), who investigated the association among economic development and governance in Rwanda and found that the two were pro-cyclical. The article did highlight that stable capital formation, a strong labor force, and strong governance are all indicators that disturb the amount of economic progress and development.

Tabassam *et al.*, (2016), examined the impact of political upheaval on the Pakistani economy and its volatility from 1988-2010, to compensate for transitory effects. As factors contributing to political instability, the study used terrorism, elections, governments, and strikes. The findings indicate that political instability has a harmful impact on EG. Emara (2016), look at the relationship between good governance and EG in twenty-one (21) Middle Eastern and North African (MENA) countries from 2009 to 2013. They observed that, for every unit increase in the composite government indicator EG would upsurge by around 2%. Moreover, Alam *et al.*, (2017), used a panel of 81 nations, and employ the GMM technique to investigate the effect of government effectiveness on economic development. This study found that improved government performance significantly boosted economic expansion. Good governance is one of the Millennium Development Goals (MDGs) due to its significance in promoting economic progress effect of government effectiveness on economic development. This study found that improved government performance significantly boosted economic expansion. Good governance is one of the MDGs due to its significance in promoting economic progress. The researchers also found differences between government efficacy and growth among various income levels.

According to Boussalham (2018), the goal of this study was to evaluate how corruption affected economic growth in Mediterranean nations between 1998 and 2007. Several tests were run to evaluate which model performed the best. Though not clearly proved, it can be said that this work has made it possible to evaluate historical and geographical influences on the association among economic progress and corruption, in addition to partially demonstrating the presence of such a relationship. The majority of Balkan nations as well as those in the MENA regions can experience long-term economic growth and stability by implementing appropriate institutional reforms, bolstering the rule of law, and removing natural laws based on cultural norms. Obamuyi and Akinbobola (2018), investigated the socioeconomic factors that contribute to corruption in Nigeria. In Nigeria, this study discovered a persistent relationship between social and economic traits and conception. This study set out to determine the strength of the link, its significance, whether it was positive or negative, and whether it had immediate and long-term policy consequences.

According to Uzelac *et al.*, (2020), examined the effect of organized variables on economic action (GDP) in 19 Central and Eastern European (CEE) nations from 1999-2016. The researcher used the random effect model and principal component analysis (PCA) to figure out what was going on. The results show that many Central Eastern Europe (CEE) nations have made improvements to their institutional environments, particularly in terms of preventing corruption. Regression analysis showed that reducing corruption and improving democracy have a big and positive effect on GDP. Despite the statistical insignificance of regulation quality, political stability also fosters growth. The legal system, the stability of the government, and the freedom of the economy all affect how the economy works in the CEE region as a whole. Institutional growth is therefore essential for CEE. Ahmad *et al.* (2024), use panel data from 1996 to 2020 to study the causal link between SAARC nations' governance metrics and GDP growth. The empirical results produced using panel ARDL/PMG methodologies show that corruption has a negative and considerable influence on GDP growth, with LR consequences. The impact of PS on EG is favorable and important. However, the influence of PS and CC on GDP growth is negligible in the SR, implying that these variables have little direct impact on EG. In the LR, labor participation, capital, human capital, FDI, and inflation have a noteworthy impact on EG. Nonetheless, these variables have a little influence on EG in the short term.

Methodology

The present research study is quantitative in nature and use annual Panel data for the variables used. The variables are Inflation, consumer's prices, Political Stability, Control of Corruption, Government Effectiveness, Labor Force, FDI and GCF for the period of 2000-2020 which was be collected from World Development Indicators (WDI) (2024) and used the panel of Pakistan, Bangladesh, Sri Lanka, and India

Model Specification

This research uses GDP growth as a proxy for economic development (EG) as a dependent variable, Inflation consumer Prices (INF) same variable were used by Azam and Emirullah (2014), Foreign Direct Investment (FDI) variable were used by Driffield and Jones (2013), Gross Capital Formation (K) same variables were used by the following scholar's Bhattacharjee and Halder (2015), Labor Force (LF) the same variable were used by Nazir and Anwar (2013). Political Stability (PS) the same variables were used by Zubair and Khan (2014) and Azam (2022), Government Effectiveness (GE) variables were used by Alam *et al.* (2017) and Azam (2022) and Corruption Control (CC) are independent variables. The model can be written as,

EG= (GDP (Annual) Growth, Inflation consumer prices, FDI, GCF, LF, Political Stability, Government Effectiveness, Control of Corruption)

This study used the following modified model, which also used Azam (2022) and Ahmad *et al.* (2024).

$$EG = f(INF, FDI, GCF, LF, PS, GE, CC) \dots\dots\dots(1)$$

In Linear form

$$EG_{it} = \beta_0 + \beta_1 INF_{it} + \beta_2 FDI_{it} + \beta_3 GCF_{it} + \beta_4 LF_{it} + \beta_5 PS_{it} + \beta_6 GE_{it} + \beta_7 CC_{it} + \mu_{it} \dots\dots\dots(2)$$

The model 2 can be written in ARDL and ARDL bound format as under;

In ARDL form the model can be written as under

$$EG_{it} = \beta_0 + \sum_{j=1}^0 \beta_{1i} INF_{it-j} + \sum_{j=0}^n \beta_{2i} FDI_{it-j} + \sum_{j=0}^n \beta_{3i} GCF_{it-j} + \sum_{j=0}^n \beta_{4i} LF_{it-j} + \sum_{j=0}^n \beta_{5i} PS_{it-j} + \sum_{j=0}^n \beta_{6i} GE_{it-j} + \sum_{j=0}^n \beta_{7i} CC_{it-j} + \mu_{it} \dots\dots\dots(3)$$

In ARDL bound form the model can be written as follow

$$\Delta EG_{it} = \beta_0 + \sum_{j=1}^n \beta_{1i} \Delta INF_{it-j} + \sum_{j=0}^n \beta_{2i} \Delta FDI_{it-j} + \sum_{j=0}^n \beta_{3i} \Delta GCF_{it-j} + \sum_{j=0}^n \beta_{4i} \Delta LF_{it-j} + \sum_{j=0}^n \beta_{5i} \Delta PS_{it-j} + \sum_{j=0}^n \beta_{6i} \Delta GE_{it-j} + \sum_{j=0}^n \beta_{7i} \Delta CC_{it-j} + \alpha_1 INF_{it} + \alpha_2 FDI_{it} + \alpha_3 GCF_{it} + \alpha_4 LF_{it} + \alpha_5 PS_{it} + \alpha_6 GE_{it} + \alpha_7 CC_{it} + \mu_{it} \dots\dots\dots(4)$$

Where

μ = Error term where β s' are Co- efficient, μ is the error term and t for time series

Table 1: Description of Variables

S.No	Variable	Symbol
1	GDP Growth (Annual %)	EG
2	Inflation, consumer prices (annual %)	INF
3	Foreign Direct investment, net inflows(%of GDP)	FDI
4	Gross Capital Formation(%of GDP)	GCF
5	Labor force (annual %)	LF
6	Political Stability	PS
7	Government Effectiveness	GE
8	Control of Corruption	CC

Econometric Techniques

Various Econometric techniques are used for the analysis relevant to this study. The tests used for the analysis of the data are briefly given as under; while to determine the 1st and 2nd generation, Panel Unit Root test have been used. Under this test, for 1st generation Im-Perasan-Shin (IPS) and Levin-Lin-Chu (LLC) have been used. For the analysis/ determination of 2nd generation, Perason CIPS test have been used. The Panel ARDL/PMG (Auto Regressive Distributed Lag/Pool Mean Group) techniques have been used so as to find the long run association between the variables, and to find both short and long run influences of independent variables on Economic Progress. For the analysis of Co-Integration, Kao Residual test and to find the direction of Causality, Panel Granger

Causality tests are used. Descriptive statistics have been calculated to give as the view about Mean, Median, Mode, Skewness and kurtosis and other statistics while correlation is calculated as to get an overview about the strength of relationship amongst variables.

Results and Discussion

Cross Section Dependency (CD) Tests Results

Table 2 portrays cross section dependency tests findings. The aim of cross section dependency test is to find whether the variables are cross sectionally dependent or not. For this purpose Cross Section Dependency tests namely, Breusch-Pagan LM, Perasan scaled LM, Bias-corrected LM, and Perasan CD has been used. The findings of these tests shows that all the variables are cross sectionally dependent except effectiveness of government and corruption control. Further, the results of the tests indicate the existence of cross sectional dependency in the data.

Table 2: Cross Section Dependency Tests Results

Tests/Variables	Breusch- Pagan LM	Perasan scaled LM	Bias-corrected scaled LM	Perasan CD
Y _{it}	31.54579* (0.0000)	7.374433* (0.0000)	7.274433* (0.0000)	5.399340* (0.0000)
PS _{it}	14.92758** (0.0208)	2.577172* (0.0100)	2.477172** (0.0132)	2.110845** (0.0348)
CC _{it}	8.461441 (0.2062)	0.710557 (0.4774)	0.610557 (0.5415)	0.633501 (0.5264)
GE _{it}	3.912323 (0.6885)	-0.602661 (0.5467)	-0.702661 (0.4823)	0.083819 (0.9332)
LF _{it}	30.22948* (0.0000)	6.994448* (0.0000)	6.894448* (0.0000)	5.292577 (0.0000)
GCF _{it}	16.37042** (0.0119)	2.993684* (0.0028)	2.893684* (0.0038)	0.156948 (0.8753)
INF _{it}	24.90810* (0.0004)	5.458299* (0.0000)	5.358299* (0.0000)	4.354097* (0.0000)
FDI _{it}	16.18151** (0.0128)	2.939148** (0.0033)	2.839148* (0.0045)	3.515206* (0.0004)

Note: H_0 : No cross-section dependence

Where p-value is inside the (), * and ** represent the importance level at 1% and 5% respectively.

Panel Unit Root Test (PURT) Results

Table 3 indicates the panel unit root tests findings. It consists of 1st and 2nd generation panel unit root tests. The first generation tests used for this aim are Im- Perasan-Shin (IPS), and LLC, whereas Perasan CIPS test is the second generation test used for this purpose. The findings obtained from these tests specify that the variables namely, foreign direct investment, Corruption Control, labor force and INF are stationary at level I(0), whereas the variables namely, GDP growth, capital, political stability and government effectiveness are stationary at first difference I(1). These findings shows that the series is mixed in order of integration i-e I(0) and I(1) which permits us to use Panel ARDL (Auto Regressive Distributed Lag)/PMG (Pool Mean Group Techniques) estimator to evaluate the long run connection among the variables

Table 3: Panel unit root test results

At level Variables					1 st difference				
	LLC	IPS	ADF	CIPS	LLC	IPS	ADF	CIPS	Decision
EGit	2.50 (0.99)	-0.13 (0.44)	7.50 (0.48)	-2.96*	-3.79* (0.00)	-4.28* (0.00)	33.70* (0.00)	-5.19*	I(1)
PSit	-0.59 (0.27)	-0.57 (0.28)	8.49 (0.38)	-3.09*	-5.47* (0.00)	-5.19* (0.00)	39.77* (0.00)	-3.94*	I(1)
CCit	-3.06* (0.00)	-2.68* (0.00)	22.45* (0.00)	-2.77*	-10.4* (0.00)	-8.52* (0.00)	65.34* (0.00)	-5.82*	I(0)
GEit	-0.56 (0.28)	-1.66* (0.04)	17.94* (0.02)	-2.00	-6.03* (0.00)	-6.86* (0.00)	52.52* (0.00)	-3.98*	I(1)
LFit	2.12 (0.98)	-2.17* (0.01)	18.89* (0.01)	-3.59*	-4.47* (0.00)	-9.01* (0.00)	71.32* (0.00)	-4.87*	I(0)
GCFit	-0.13 (0.44)	0.32 (0.62)	5.02 (0.75)	-0.89	-4.84* (0.00)	-4.77* (0.00)	35.94* (0.00)	-3.60*	I(1)
INFit	-2.00* (0.02)	-1.83* (0.03)	15.33* (0.05)	-3.18*	-8.50* (0.00)	-7.46* (0.00)	56.62* (0.00)	-4.48*	I(0)
FDlit	-1.83* (0.03)	-2.60* (0.00)	21.25* (0.00)	-1.65	-6.38 (0.00)	-5.97 (0.00)	45.20 (0.00)	-2.39**	I(0)

Note: * for 1%. -2.60 critical values for CIPS at 1%.

Panel ARDL /PMG Results

Table 4 shows that all factors have a substantial impact on EG over the long-term (LR). It is clear from table 4 that the PS has positive substantial impact on economic progress in the LR. At 1%, the estimated coefficient is significant. The estimated coefficient of size 0.1933 found for PS shows that one unit rise in PS increases economic expansion by 0.1933% meaning that political stability encourages economic growth. The findings are in accordance with the results of Azam (2022) and Zubair and Khan (2014) and contrary to the results of Pere (2015). This study found that corruption control is negatively related to economic expansion in the long run which means that corruption dejects economic progression. The same findings were found by the results of Pere (2015) and Azam (2022) and different with the results of Uzelac *et al.* (2020). The findings show that governance factor namely government effectiveness has positive and remarkable effect on economic growth at 1% level of significance in the LR. A one unit increase in government effectiveness rises EG by 0.4004 percent expand in economic growth. The outcome is in accordance with the results of Azam (2022) and Alam *et al.* (2017) and contrary to the results of Pere (2015). The consequence of labor force on EG is optimistic and significant in the LR suggested that rise in labor force rises economic growing. A one percent rise in labor force raises economic growth by 1.9160%. The findings are similar with the results of Nazir *et al.* (2013) and Asghar *et al.*, (2024). Another variable capital has also optimistic and noteworthy effect on EG in the LR. A one percent rise in capital formation increase economic growth by 0.4945%. The

findings are same with the results of Sarwar *et al.*, (2013) and Bhattacharjee and Haldar (2015). The results indicate that inflation is detrimental to economic progress. A percent increase in the inflation will reduce the EG by 0.56 percent in the LR. The findings is alike with the results of Azam (2022) and Azam and Emirullah (2014) and contrary with the findings of Sarwar *et al.* (2013). FDI is positively related to EG in the LR that FDI motivate EG. A % rises in FDI increase economic growth by 5.7470%. The findings are same with the results of Driffield and Jones (2013).

In the short run (SR) the effect of FDI is encouraging on economic progress. The impact of control corruption and inflation is negative on economic progress but the effect of PS and CC is insignificant while the effect inflation is statistically significant on EG. The effect of government effectiveness, labor force and capital is positive and significant at 1%, 5% and 10% correspondingly. The value of ECT is -0.4949 which is adverse and significant at 5% level of significance shows that the speed of modification towards long run equilibrium is about 49 percent over 2000-2020. When salaries are increased to reflect increases in living expenses, cost-push inflation may become even more severe. Increased wages and increased product prices may have an impact on a few economic sectors. They frequently use their products as raw materials to produce goods in other industries may rapidly cause prices to rise at an inflationary rate throughout the economy. Furthermore, cost-push inflation may result from a rise in the cost of imported raw materials.

Table 4: Panel ARDL/ PMG (Pool Mean Group) Techniques Results

Variable	Coefficient	Std. error	t-statistics	p value
Long run equation				
PS _{it}	0.1933 [*]	0.0059	32.4161	0.0000
CC _{it}	0.3934 [*]	0.0135	28.9396	0.0000
GE _{it}	0.4004 [*]	0.0257	15.5337	0.0000
LF _{it}	1.9160 [*]	0.0302	63.3014	0.0000
GCF _{it}	0.4945 [*]	0.0187	26.3806	0.0000
INF _{it}	- 0.5586 [*]	0.0198	-28.1834	0.0000
FDI _{it}	5.7470 [*]	0.2992	19.2063	0.0000
Short run equation				
ECT	-0.4949 ^{**}	0.1777	-2.7839	0.0127
Δ (PS _{it})	0.1145	0.1436	0.7974	0.4362
Δ (CC _{it})	-0.0686	0.3357	-0.2043	0.8405
Δ (GE _{it})	0.5707 ^{**}	0.2595	2.1988	0.0420
Δ (LF _{it})	0.7397 [*]	0.2449	3.0200	0.0077
Δ (GCF _{it})	0.9274 ^{***}	0.4925	1.8828	0.0769
Δ (INF _{it})	-0.4590 ^{***}	0.2396	1.9152	0.0724
Δ (FDI _{it})	3.0529 ^{**}	1.3264	2.3016	0.0343

Note: *, ** and *** denote 1%, 5% and 10% significance level one-to-one.

Co-integration Test Results

Table 5 indicates long run co-integration test results which indicate that there exists LR co-integration among the variables because the null hypothesis of “ no co-integration is excluded at 1% significance level.

Table 5: Kao-Residual Co-integration test results

Test	t-statistic	p value
ADF	-4.180695*	0.0000

H_0 : No co-integration. and * denotes consequence level at 1%.

Panel Granger Causality Test Results

Table 6 shows the pairwise granger causality test results. The goal of this test is to discover the direction of connection amongst the variables. It is clear from the table that there is one way causation running from economic growth to corruption control and foreign direct investment, from Political stability to labor force and inflation, from corruption control to political stability, government effectiveness, and labor force, from government effectiveness to control of corruption, labor force, and FDI, from labor force to economic progress, political stability, and corruption control, from capital to political stability, corruption control, labor force, and FDI, from inflation to capital, form FDI to PS, CC, govt-effectiveness, and inflation and two way causality between political stability and labor force, between corruption control and labor force, among corruption control and government effectiveness, and between FDI and government effectiveness.

Table 6: Pairwise Granger Causality Test results

Variables	EG _{it}	PS _{it}	CC _{it}	GE _{it}	LF _{it}	GCF _{it}	INF _{it}	FDI _{it}
EG _{it}	-	1.335 (0.270)	3.175** (0.019)	1.243 (0.294)	0.420 (0.518)	1.915 (0.135)	0.227 (0.634)	8.418* (0.004)
PS _{it}	0.830 (0.440)	-	0.464 (0.497)	1.785 (0.131)	10.537* (0.001)	0.737 (0.393)	4.209** (0.043)	1.018 (0.316)
CC _{it}	0.726 (0.396)	6.673** (0.011)	-	3.262** (0.012)	6.674** (0.011)	0.683 (0.508)	0.924 (0.401)	1.280 (0.261)
GE _{it}	0.976 (0.109)	2.464 (0.120)	7.603* (0.007)	-	8.869* (0.003)	1.065 (0.390)	0.596 (0.553)	3.824*** (0.054)
LF _{it}	2.299*** (0.085)	5.417** (0.022)	5.351** (0.023)	1.551 (0.216)	-	1.398 (0.240)	1.464 (0.224)	1.354 (0.264)
GCF _{it}	0.590 (0.671)	4.837** (0.030)	2.037*** (0.088)	0.401 (0.528)	5.875** (0.017)	-	0.994 (0.471)	2.481*** (0.090)
INF _{it}	1.403 (0.243)	1.415 (0.246)	1.302 (0.276)	0.602 (0.440)	1.010 (0.369)	3.672* (0.006)	-	2.204 (0.141)
FDI _{it}	1.022 (0.364)	4.209** (0.043)	2.796** (0.025)	2.195*** (0.068)	0.807 (0.450)	2.088 (0.131)	5.706** (0.019)	-

Note: *, ** and *** denote 1%, 5% and 10% significance level one-to-one.

Conclusion

Economic growth is key to every country's economic development. There is no predefined plan how countries can boost their economic advancement and turn into "developed countries." In this regard, there is a need to use a republic's capitals more resourcefully and intelligently which has become extremely challenging in today's world. In this case one of the utmost imperative things a nation should be able to do. Many experts believe that institutions have a considerable impact on how well a country performs. Thus it can be said that the quality of governance play's an important part in sustaining a maintainable economic progress of a nation. Because in emerging nations where many governance problems previously exist. For this purpose since the absence of good governance is short of revenue the institutes which helps in the growth of a country becomes ineffective. Thus the main focus is to examine the impact of governance on economic growth in South Asian Developing Countries. For this purpose Panel ADRL/PMG (Pool Means Groups Techniques) and Unit Root Test were used to analyze the data. Hence it is concluded that there exit a highest degree of positive association between government effectiveness and CC. On the other hand the association between CC and EG is lowest which means that there is negative correlation between control of corruption and EG. It is also concluded from results that all variables except government effectiveness and control of corruption. From the results of Panel ARDL/PMG tests it is concluded that both short and long run influence of independent variables on economic growth exists and in long run all the variables have significant impact on economic growth. It is further concluded that political stability has positive significant impact on economic growth in the long run which encourages economic growth. However, the corruption discourages EG. The results also indicate that other governance indicators in the long run which increase economic growth. The LF, FDI and capital formation increases economic growth. It is also concluded that the impact of inflation is negative and noteworthy on EG in the LR which show that inflation is detrimental to EG. It is also concluded that the impact of CC and inflation is no effect on EG in the SR.

Recommendations

- It is suggested that government should make effective policies against corruption for the development of South Asian Developing Countries which are suffered from corruption and the government should take very severe action against corruption
- Government should make effective policies for institution development
- Effective policies should be made for promotion of good governance which is most important for the economic development of South Asian Developing Countries

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