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THE IMPACT OF REMITTANCES AND INSTITUTIONS ON ECONOMIC GROWTH IN ASIAN COUNTRIES

Major: Finance - Banking
Code: 9340201

A SUMMARY OF PH.D THESIS

Ho Chi Minh City – 2024

The dissertation is completed at:

University of Finance - Marketing

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CHAPTER 1: INTRODUCTION

1.1 Research problems

The recent increase in international migration has resulted in a signigicant rise in remittance flows to countries. According to the World Migration Report 2022 by the International Organization for Migration (IOM), as of 2020, approximately 281 million people (3.6% of the world's population) were living outside their country of birth. This number has significantly increased from 173 million in 2000 and 153 million in 1990 (IOM, 2022). In Asia alone, the number of migrants has also seen a significant increase in recent decades, with approximately 87 million international migrants in 2020, accounting for 31% of the global total, according to a United Nations report. These migrants typically move from low- and middle-income countries in Asia to more developed countries, such as the United States, Canada, and countries in the Middle East. The global migration patterns and remittance flows from migrant groups have undergone significant changes in recent decades, particularly in terms of the volume and economic impact of remittances on recipient countries. Since 2015, remittances have become the largest source of external finance flowing to low- and middle-income countries (LMICs) outside of China (Ratha et al., 2024). Globally, remittance flows are estimated to have increased by 1.6% from US$843 billion in 2022 to US$857 billion in 2023 and are expected to grow at a higher rate of 3% in 2024. The top five remittance-receiving countries in the world in 2023 are India ($125 billion), Mexico ($67 billion), China ($50 billion), the Philippines ($40 billion), and Egypt ($24 billion) (World Bank, 2024). Since 2000, remittance flows to

LMICs have surpassed official development assistance (ODA) flows as estimated by the World Bank, and are projected to exceed foreign direct investment (FDI) flows to LMICs by more than US$270 billion by 2023 (Worldbank, 2024). In the Asian region, India, China, Philippines, Pakistan, and Bangladesh are the top five countries receiving the highest amount of remittances.

As remittance flows into countries have increased, the economic impacts of remittances have become a topic of interest in recent years. Some studies suggest that remittances positively impact economic growth in recipient countries. Remittances, as a source of finance, support both consumption and investment, making them an important income source for recipient countries, especially developing ones. The amount of remittances transferred bolsters domestic consumption and investment. According to research by Giuliano and Ruiz-Arranz (2009), in countries with underdeveloped financial systems, remittances help offset domestic credit shortages, thereby promoting consumption and investment in production, leading to economic growth. Remittances act as a substitute for bank loans, helping households invest in businesses and income-generating activities. Additionally, remittances play a crucial role in creating economic stability, especially during times of crisis. Since remittances are often unconditional cash flows, they provide a stable source of income for households, particularly during difficult economic periods. According to Chami, Fullenkamp, and Jahjah (2005), remittances act as an economic “safety net,” stabilizing household spending and mitigating the negative effects of economic shocks. Moreover, remittances help reduce poverty and improve the living standards of recipient households. Studies show that in developing countries, remittances are often transferred directly to poor households, providing them with additional income to meet their consumption, health, and education needs. Adams and Page (2005) demonstrate that remittances can significantly reduce poverty rates in developing countries while improving income distribution. Not only do remittances improve incomes, but they also promote investment in human capital, including education and health. Rapoport and Docquier (2006) note that remittances are often used to invest in children's education and improve the health of family members, thereby enhancing the quality of labor and productivity in the long run. This can promote sustainable economic growth by improving human capital.

However, the impact of remittances on economic growth is a topic that has been extensively studied. While many studies show that remittances can have a positive effect on growth, there is also evidence of potential negative consequences. These negative impacts include: (1) Reduced motivation to work and invest in production in the receiving country. When individuals receive income from remittances, they may become less motivated to work or invest in their own businesses, leading to a dependence on foreign income rather than developing domestic economic activities. Chami, Fullenkamp, and Jahjah (2005) suggest that while remittances encourage households to consume more, they can also reduce investment in production activities, ultimately hindering economic growth; (2) The "Dutch effect" in countries that receive large amounts of remittances, where remittances cause the value of the country's currency to increase, making its export industry less competitive. As the currency appreciates due to the influx of foreign funds, the cost of export products rises, challenging the country's ability to compete internationally. This can harm domestic industries. Research by Acosta, Lartey, and Mandelman (2009) has shown that remittances can also lead to an increase in the price of non-tradable goods, creating imbalances between economic sectors and ultimately hindering economic growth; (3) Remittances are often used for consumption rather than productive investment. While this may lead to short-term economic growth, it does not have a lasting positive impact. Barajas et al. (2009) show that in countries where remittances are mainly used for consumption rather than investment, the impact on economic growth tends to be low or insignificant; (4) In countries with weak institutions, remittance flows may not be managed effectively and may even facilitate corruption. Remittances are sometimes used for activities that do not generate long-term value or fall into the hands of political interests. Abdih et al. (2012) argue that in countries with high levels of corruption, remittances do not improve growth but may exacerbate inequality and poor governance.

It is evident that remittances can have both positive and negative effects on the socio-economic situation of recipient countries. The impact of remittances on economic growth is heavily influenced by the institutional environment and the development of the domestic financial system. In countries with weak institutions or high levels of corruption, remittances may be used inefficiently or spent on consumption rather than productive investments. According to Abdih et al. (2012), remittances contribute to economic growth only when supported by strong institutions and a well-developed financial system. The effectiveness of remittances in promoting economic growth also depends on how the money is utilized and the overall macroeconomic environment

As remittances continue to increase in many countries, particularly in Asia where several countries are among the top recipients of remittances globally, numerous studies have examined their role in economic growth. However, these studies have yielded conflicting conclusions, which may be attributed to the varying institutional environments and financial development levels of each country or region (Abdih et al., 2012). Therefore, to understand the role of remittances in economic development within the institutional and financial development context of the Asian region, and to propose policy implications that may foster the long-term positive impact of remittances, this thesis conducts a study on ***'The impact of remittances and institutions on economic growth in Asian countries***"**.**

1.2 Research objectives

The main objective of this thesis is to examine the effects of remittances on the economic growth of Asian countries, while also considering the influence of institutions and financial development on this relationship.

The specific research objectives of the thesis are:

(1) To analyze the impact of remittances on economic growth in Asian countries;

(2) To assess the effects of remittances and political regimes on economic growth in Asian countries;

(3) To evaluate the impact of political regimes on the economic benefits of remittances in Asian countries;

(4) To examine the role of financial development in the relationship between remittances and economic growth in Asian countries.

1.3 Subject and scope of research

- **Research subject**

The main focus of this research is the relationship between remittances, institutions, and economic growth in 39 Asian countries. Remittances play a crucial role in the financial sector and contribute to economic development by improving living standards and stabilizing the national financial system. Given that the flow of remittances significantly affects the national financial system, financial development is a key factor when examining the impact of remittances on economic growth. Therefore, this thesis also considers financial development alongside remittances, institutions, and economic growth. The study further explores the direct impact of institutional factors and financial development on economic growth, as well as their role in the relationship between remittances and economic growth in these countries. The thesis examines the impact of remittances on economic growth in Asian countries, the institutional role in this impact, and the role of financial development in the relationship, providing implications for adequate and effective policy.

- **Research scope**

- Geographical Scope: Due to data limitations and the need to gather sufficient information for analysis, this research is limited to 39 Asian countries.

- Time Scope: To ensure comprehensive data collection, the research covers the period from 2002 to 2021.

1. 4 Research gaps

After reviewing experimental research domestically and internationally, the thesis identifies several scientific gaps:

Many global studies have examined the relationship between remittance and economic growth using various approaches; however, their findings on the direction of this impact are inconsistent. Most studies assessing the role of institutions and financial development in the remittances-growth relationship focus on African or linguistically similar countries, while research in Asia is limited. This is despite Asia’s high volumes of remittance inflows.

Regarding the research context, most studies on the role of institutions and financial development in assessing the impact of remittances on economic growth focus on African countries or on countries in general. Meanwhile, Asia is also a region with many of the world's leading remittance-receiving countries; however, there has been limited research conducted on this topic in the region

The literature review reveals that previous studies primarily explored remittances in connection with financial or institutional development and how these factors interact with other variables. Although these studies demonstrate that remittances directly impact economic growth and other macroeconomic indicators in developing countries, there is a lack of empirical research on remittances’ specific effects in conjunction with financial and institutional development as regulatory mechanisms. This is especially true in Asian countries, where remittance inflows have significantly increased.

Regarding measuring important research variables: (1) institutional quality is often measured with separate indicators such as political stability and corruption control, but the measurement of institutional quality is still limited debate; (2) Although recent studies consider financial development in assessing remittances' impact on growth, most evaluate it through individual measures. Given its multifaceted nature, financial development should be measured to reflect all aspects of the financial system.

Compared to previous studies on remittance and economic growth, this thesis makes the following new contributions:

The thesis provides a comprehensive theoretical framework on the impact of remittances on economic growth, along with the regulatory role of institutional and financial development channels in this impact.

This study seeks to fill gaps in existing research on the macroeconomic effects of remittances, particularly where inconclusive results on the impact of remittances on economic growth may be due to overlooked modifiable factors. Specifically, it tests the hypothesis that remittances are more likely to contribute to economic growth in countries with high institutional quality but have little to no effect in countries with weaker institutions. In addition to evaluating remittances' impact on growth based on institutional quality, the study also examines how financial development influences the effect of remittances on growth, with financial development measured by the comprehensive financial development index published annually by the IMF. Furthermore, this study clarifies the impact of remittances and institutions on economic growth by comparing results across groups of countries with high and low institutional quality, as well as those with high and low financial development.

This thesis is the first to simultaneously consider the roles of institutional quality and financial development in assessing the impact of remittances on economic growth in Asian countries. A clearer understanding of the channels through which remittance flows contribute to growth in Asian economies can aid policymakers in formulating more effective and appropriate policies.

To evaluate institutional quality and financial development, the thesis uses the PCA (Principal Component Analysis) method to derive a composite index from the World Bank's WGI Public Governance Index. For financial development, the thesis utilizes the IMF's comprehensive financial development index (FD) to provide the most inclusive reflection of the national financial system

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CHAPTER 2: LITERATURE REVIEW

2.1 Impacts of remittances on economic growth

For recipient countries, remittances can influence economic growth by increasing national disposable income, private savings, domestic investment, and the accumulation of both physical and human capital. However, migrant remittances may also lead to currency appreciation, which can negatively impact export competitiveness, or create moral hazard issues by discouraging labor participation. Therefore, to fully leverage the positive aspects of remittances, countries need policies that channel these funds into productive business activities.

2.2 Impacts of institutions on economic growth

The impact of institutions on economic growth has been explored and studied by previous scholars, developing into various economic theories. These theories have complemented each other to explain the role of institutions in the process of economic development, emphasizing how institutions contribute to economic growth through the influence of rules, laws, property rights, political systems, and so on, on capital and labor within the economy. While good institutions can facilitate growth, compatibility with specific contexts and the ability to enforce them are crucial. This means that good institutions do not automatically lead to economic growth. Rodrik (2007) argues that there is no single institutional model that can guarantee economic growth. He emphasizes that institutions may need to be adjusted to fit local conditions and cultures. Good institutions do not automatically lead to growth; rather, the alignment between institutions and local context is vital for economic development. Institutions can be well-designed but may not have a positive impact if they are not effectively enforced (Acemoglu and Robinson, 2012) and do not address the coordination issues among economic agents (Matsuyama, 2008).

2.3 The role of institutions in the relationship between remittances and economic growth

The quality of institutions is a driving force behind remittances sent back home. When institutional rules are weak or underdeveloped, there is a lack of social stability necessary to create a viable economic system (North, 1990). In the case of remittances, economic and social stability can be considered crucial in determining the amount of money sent and the channels through which remittances flow in the economy. A country with more advanced institutional levels and better quality economic and social policies can help remittances contribute more effectively to the long-term activities of that nation (Catrinescu et al., 2006). Similarly, in a country with sound economic policies, the impact of remittances is likely to be more pronounced (Riccardo Faini, 2002).

A favorable policy environment will increase investment returns, thereby raising the opportunity cost of consumption and investment for both remitters and recipient households (Ratha, 2005). Catrinescu et al. (2006) point out that remittances are more likely to generate long-term growth when the quality of political and economic institutions is higher. The impact of remittances on economic growth can be significantly influenced by the quality of domestic governance (Abdih, Chami, Dagher, & Montiel, 2012). Economic institutions play a crucial role in the efficient allocation of resources. In the absence of well-organized markets, the benefits of capital flows will not be optimally harnessed, leading to inefficient resource allocation (Acemoglu et al., 2005; Smith, 1776). Poor domestic institutional quality can diminish the investment motivation of both remittance senders and recipients. For example, in an institutional environment characterized by political instability, ineffective administration, and a lack of fair and legitimate legal recourse, workers abroad may find it challenging to identify safe and secure profit-making opportunities. Conversely, robust institutional frameworks are more likely to create appropriate incentive structures for investment from remittances sent back home.

In summary, the observations regarding the individual impacts of remittances and institutions on economic growth highlight the important role of institutions when remittances are sent back to the recipient country. In other words, when examining the impact of remittances on economic growth, the role of institutions cannot be overlooked and serves as a crucial catalyst for assessing the influence of remittances on the economy

2.4 The impact of financial development on the relationship between remittances and economic growth

Financial development plays an important role in creating conditions for remittances to positively impact economic growth.

Enhancing access to financial services: As the financial system develops, individuals find it easier to access banking, credit, and investment services. This allows remittance recipients to effectively utilize their deposits, ranging from saving to investing in business projects. According to Ziesemer (2007), a developed financial system can enhance the potential for using remittances towards development goals, including investments in education and health.

Encouraging investment: Financial development can promote investments from remittances into sectors such as real estate, agriculture, and manufacturing. This not only creates jobs but also increases labor productivity. Ratha (2013) emphasizes that remittances can significantly contribute to economic growth if they are converted into effective investments within the local economy.

Improving the financial capacity of households: Financial development helps improve the financial capacity of households receiving remittances, thereby contributing to poverty reduction. When individuals have access to credit and financial services, they can enhance their living standards and engage more actively in the economy. Adams and Page (2005) argue that remittances not only improve the living conditions of families but can also lead to a reduction in poverty rates in remittance-receiving countries.

In summary, the role of financial development in economic growth is evident through the various functions of the financial system. Economic growth is promoted only when the financial system operates effectively. Therefore, the impact of remittances on economic growth depends on the functioning of the financial system through financial intermediaries in the market. Financial development plays a key role in optimizing the impact of remittances on economic growth. By improving access to financial services, encouraging investment, and reducing poverty, financial development benefits not only remittance recipients but also enhances the economic strength of the entire nation

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Empirical models

Based on the findings of previous studies, this thesis proposes a model for examining the effects of remittances on economic growth, taking into account the influence of institutions and financial development. The equation for this model is as follows:

(1) *The impact of remittances on economic growth*

$$\mathrm{GDP}_{\mathrm{it}} = \beta_{\mathrm{i}} + \beta_1 \mathrm{GDP}_{\mathrm{i,t-1}} + \beta_2 rem_{\mathrm{it}} + \beta_3 \mathrm{Z}_{\mathrm{it}} + \mathrm{U}_{\mathrm{it}}$$

(2) *The impact of remittances and institutions on economic growth*

$$\mathrm{GDP}_{\mathrm{it}} = \beta_{\mathrm{i}} + \beta_1 \mathrm{GDP}_{\mathrm{i,t-1}} + \beta_2 \mathrm{rem}_{\mathrm{it}} + \beta_3 ins_{\mathrm{it}} + \beta_4 \mathrm{Z}_{\mathrm{it}} + \mathrm{U}_{\mathrm{it}}$$

(3) *The impact of remittances on economic growth, considering institutions and financial development roles*

$$\mathrm{GDP}_{\mathrm{it}} = \beta_{\mathrm{i}} + \beta_1 \mathrm{GDP}_{\mathrm{i,t-1}} + \beta_2 \mathrm{rem}_{\mathrm{it}} + \beta_3 ins_{\mathrm{it}} + \beta_4 fd_{\mathrm{it}} + \beta_5 \mathrm{rem} * \mathrm{ins}_{\mathrm{it}} + \beta_6 \mathrm{rem} * \mathrm{fd}_{\mathrm{it}} + \beta_7 \mathrm{Z}_{\mathrm{it}} + \mathrm{U}_{\mathrm{it}}$$

In this study, Economic growth (gdp) is represented by the logarithm of GDP per capita; Remittances (rem) are measured as remittances/GDP; Institutions (ins) are used to measure the quality of institutions, and the study applies Principal Component Analysis (PCA) to synthesize six indicators of the WGI index into a single variable that measures institutional quality; Financial development (fd) uses the composite financial development index published annually by the International Monetary Fund (IMF).

3.2 Research methods

To achieve the research goals outlined in the thesis, the author utilizes a variety of techniques and research methods:

These include researching, synthesizing, and systematizing theoretical frameworks related to remittances, institutions, financial development, and economic growth. This approach allows for the proposal of a research model that is suitable for the study's objectives.

Statistical and comparative techniques are employed to evaluate data on economic growth, remittances, institutions, and financial development over a specified period, providing a comprehensive understanding of the current situation in various countries. This method is also used to conduct preliminary evaluations of the data before applying regression techniques.

Principal Components Analysis (PCA) is used to calculate an overall index of institutional variables from six individual indices of the WGI. PCA is a technique that reduces the dimensionality of data by eliminating unnecessary variables while retaining important information. As Jolliffe (2002) explains, PCA optimizes the variability of data, providing a more comprehensive and understandable view of relationships within the data. This is particularly useful when dealing with a large number of variables. The resulting overall variable offers a more general overview of the institutions.

To assess the impact of remittances, institutions, and financial development on economic growth, the study employs the System GMM estimation method using panel data from 39 Asian countries over the period 2002–2021. This method, proposed by Arellano and Bover (1995), has significant advantages as it addresses violations of regression assumptions and controls for potential endogeneity in the research model, particularly in economic models.

To ensure the robustness of the research findings, the thesis conducts an analysis on a sub-sample. The study divides the data into two sub-samples based on institutional and financial development variables. This division serves two purposes: filling in the previous research gap and testing the results found in the overall sample. If the results from both the overall sample and the sub-sample are consistent, the research findings will be more robust and reliable

CHAPTER 4. RESEARCH RESULTS

4.1 The impact of remittances on economic growth

Based on estimates and quantitative assessments, this thesis identifies the impact channels of remittances on economic growth in Asian countries during the study period:

The results show a statistically significant negative impact of remittances on the growth of Asian economies, which is consistent with theoretical arguments suggesting a pessimistic view of remittance flows. According to Oluwafemi and Ayandibu (2014), dependence on migration and remittances can lead to underdevelopment in migrant-sending countries. This is because the higher the flow of remittances, the more dependent the receiving country becomes on the sending country, and the more dependent the recipient of remittances becomes on the sender (Binford, 2003). Instead of promoting economic growth, remittances can lead to inequality in areas with large inflows, as noted by Stark and Lucas (1988). The empirical results in this thesis confirm this pessimistic relationship, as the negative impact occurs when remittances are used for consumer spending—such as on cars, houses, and clothes—rather than for effective business purposes. This can lead to income inequality between remittance-receiving households and non-receiving households, which, in turn, can cause inflation and price increases in basic commodities, ultimately affecting economic growth (De Haas, 2007, 2010; Oluwafemi & Ayandibu, 2014). In terms of macroeconomic explanations, the size of remittances can negatively impact economic growth through a national account approach. This is because a significant portion of remittances is often spent on imported goods, leading to an increase in trade deficits. These findings are consistent with previous research by Piracha, Catrinescu, Leon-Ledesma, and Quillin (2006), Barajas et al. (2009), and Kratou and Gazdar (2015).

Through the results of this study and comparisons with previous research, the thesis provides sufficient evidence to confirm the interaction channels of remittances through the institutional environments of countries to economic growth. The results also suggest that economies with good institutional quality are better equipped to mitigate the negative impact of remittances on economic growth.

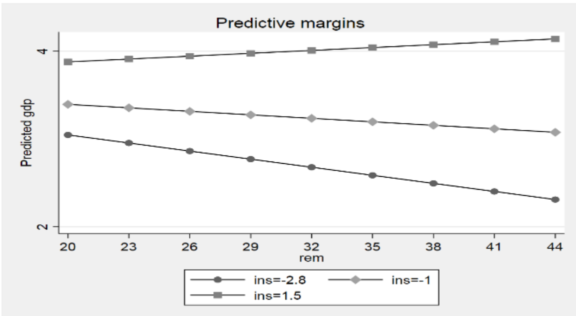

Figure 4.7: The impact of remittances on economic growth at different levels of institutional quality

Source: Author's analysis from stata 17

In Figure 4.7, the research results show that in countries with well-developed institutions, the negative impact of remittances on economic growth can be reduced and may even become positive.

This highlights the importance of considering the impact of remittances on economic growth at different levels of financial development, as confirmed by the statistically significant relationship (at 1%) between remittances and financial development (as indicated by the remfd interactive variable). This suggests that the impact of remittance flows on economic growth is influenced by the level of financial development in each economy. Additionally, the study found clear and meaningful evidence of the relationship between remittances and economic growth through various levels of financial development, as well as the interaction between remittances and institutions.

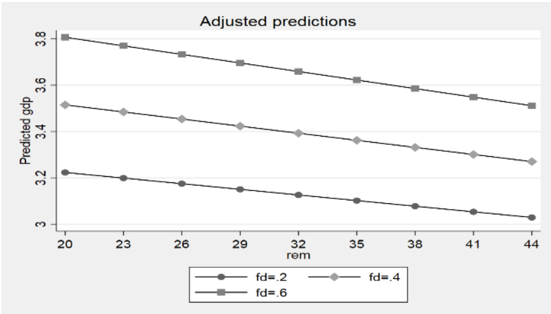

Figure 4.8 Impacts of remittances on economic growth at the levels of financial development

Source: Author's analysis from stata 17

When examining the effects of remittances on economic growth across varying levels of financial development (see Figure 4.8), it becomes evident that in countries with more advanced financial systems, remittances can mitigate the negative impact on economic growth. In other words, the results indicate that the positive influence of remittances on growth is amplified as financial development increases.

CHAPTER 5: CONCLUSIONS

5.1 Conclusion

Based on estimates and quantitative assessments, the thesis identifies the impact channels of remittances on economic growth in Asian countries during the study period with full evidence of statistical significance. From the results of this study, managers will have policies that will have appropriate management policies to improve the efficiency of the use of remittances received.

5.2 Policy implications

From the research results achieved, the thesis offers some policy implications as follows:

❖ **Improving National Institutional Quality**

The research has shown that institutional quality not only positively impacts economic growth, but also contributes to reducing the negative impact of remittances. Therefore, it is crucial for Asian countries to improve institutional quality in all aspects. This can be achieved by implementing the following measures:

- Enhance transparency and accountability: Improving financial reporting and public budget management processes by applying high standards of transparency is essential. The use of information technology to publicize information on public spending and remittance flows can also increase the trust of both citizens and investors in the government. This, in turn, can encourage them to use remittances for productive investment rather than consumption.

- Reform the management and law enforcement process: It is necessary to review and improve regulations related to investment and remittances to reduce administrative barriers and encourage investment. A good regulatory framework will facilitate the use of remittances in production and business activities.
- Perfect the rule of law state: Strengthening law enforcement and protecting property rights through judicial reform and training for law enforcement agencies is crucial. Protecting legal rights will help people feel more secure when using remittances for investment.
- Implement corruption control: Strong anti-corruption measures, such as building independent monitoring mechanisms and enhancing transparency in the use of public budget, should be implemented. Reducing corruption will encourage people and investors to have more confidence in using remittances for economic development purposes.
- Develop financial infrastructure: Encourage banks and financial institutions to improve their services to remittance recipients, such as providing credit products with reasonable interest rates and simpler loan procedures. This will help remittances be converted into investment capital more effectively, thereby promoting economic growth.
- Encourage investment in education and training: It is essential to use a portion of remittances to invest in education and vocational training for people to improve the quality of human resources. A highly skilled workforce will increase the ability to absorb and effectively use remittance flows for economic development.

- Create a favorable business environment: Reducing administrative procedures and regulations that cause difficulties for businesses, while protecting the rights of investors and consumers, is crucial. A good business environment will encourage remittance recipients to invest in businesses, thereby creating jobs and promoting economic growth.
- Strengthening political stability: Promote political dialogue and establish reconciliation mechanisms to minimize conflict and instability. A stable political environment will attract investment and improve citizens' trust in the government. Additionally, it is essential to enhance the rule of law and control corruption, strictly enforce laws, and establish independent agencies to investigate and address corruption, thereby building public trust in the legal system and government

❖ **Improve the financial development of countries**

The results of the thesis show that, although remittances have a negative impact on economic growth, in countries with high financial development, this negative effect on growth is reduced. Therefore, countries need to implement policies aimed at enhancing financial development

- Improve the Banking System and Financial Services: Financial institutions need to develop a network of branches and online banking services to reach a broader customer base, especially remittance recipients. They should offer high-interest savings products or investments with good liquidity that cater to the needs of remittance recipients, such as dedicated remittance savings accounts.
- Develop Diverse Financial Products and Raise Awareness of Investment Options: Financial institutions should create financial products

like bonds, investment funds, and special savings accounts for remittance recipients, thereby encouraging them to invest in the economy. Providing clear and transparent information about financial products will help individuals better understand how to invest remittances. These programs can include information on investing in stocks, bonds, or real estate.

- Encourage Direct Investment: Financial institutions can establish investment funds specifically for remittances, allowing recipients to invest directly in domestic economic development projects. Additionally, the government should implement financial support policies for small businesses, offering preferential loans or grants to small enterprises run by remittance recipients, thereby creating jobs and fostering economic growth.
- Improve Financial Infrastructure: Invest in financial technology by developing applications and online platforms to reduce costs and time associated with remittance transfers, facilitating investment. There should be improvements in connectivity between banks and financial institutions to create networks that optimize the remittance and investment processes. Enhancing money transfer services and collaborating with international remittance companies can help reduce transfer fees and speed up transaction processing. Financial institutions need to lower international transfer costs, enabling remittance senders to choose banks as their preferred transfer channels instead of cheaper informal channels. Attracting significant capital flows into the official channels of the national financial system can then allocate resources effectively.
- Strengthen Cooperation and Dialogue with the Migrant Community: Facilitate cooperation programs between financial institutions

and migrant communities to understand their needs and develop suitable financial products. Encourage return investment by creating marketing campaigns to motivate migrants to invest in their homeland through remittances.

By implementing these solutions, financial institutions can not only attract remittances into investments but also create a positive impact on the economy, promoting sustainable development within communities. Enhancing the quality of financial services, improving financial education, and establishing investment support programs will contribute to increasing the value of remittance flows for national economic development.

5.3 Limitations and directions for future Research

Although the research findings meet the stated objectives, the study has some limitations:

Firstly, this study only assesses remittances sent through official channels, yet remittances can also be sent through informal channels. To provide a more complete and comprehensive evaluation of the impact of remittances on national economic growth, it is essential to consider both formal and informal remittance channels. Thus, future studies could expand to assess the comprehensive impact of remittances on economic growth by measuring remittances through both formal and informal channels. Additionally, examining specific behaviors and purposes of remittance recipients in future research could help policymakers develop more effective policies to attract remittance, support economic growth, and mitigate potential negative impacts associated with remittance inflows.

Secondly, this study uses the Worldwide Governance Indicators (WGI) to measure institutional quality. However, measuring institutional quality is complex. Future research could consider other indicators to provide a more multi-dimensional view of institutional quality.

Thirdly, the institutional variable (ins) used in this study is an aggregate variable derived from six components of the WGI using Principal Component Analysis (PCA). Therefore, this study only assesses the overall impact of institutional quality on economic growth, without evaluating the specific effects of each component. Future research could incorporate all six WGI components as individual variables in the research model to explore the specific impact of each component, allowing for more detailed recommendations on institutional quality, remittances, and economic growth.

Finally, the study focuses on Asian countries using panel data, limiting the specific evaluation of remittances' impact on Vietnam. This study only offers preliminary evaluations through factors such as general assessments of each element and scatter plots. For a more detailed and specific assessment of the impact of remittances on economic growth within the context of Vietnam's institutional and financial development, future research should use time-series data specific to Vietnam.

LIST OF RELEVANT PUBLICATIONS

1. Truyen, P.T. (2022). Impacts of remittances economic growth in Asian developing countries. *Review of Finance*, Vol.5, Issue 3, 2022.
2. Truyen, P.T, & Tien, H.T. (2022). The impact of remittances and institutions on economic growth in Asian countries. *Journal of Finance & Accounting Research*, Vol 09 (230) - 2022.
3. Truyen, P.T, & Tien, H.T. (2021). The impact of remittances on economic growth in Asian countries – the role of financial development. *Journal of Finance & Accounting Research*, Vol 07 (216) - 2021.
4. Tien, H.T, Truyen, P.T & Hong, P.T. 2020. Institutions and economic growth in asia: A quantile regression approach. *Finance – Accounting For Promoting Sustainable Development In Private Sector (FASPS 2020)*.