Development Economics and Aid Effectiveness

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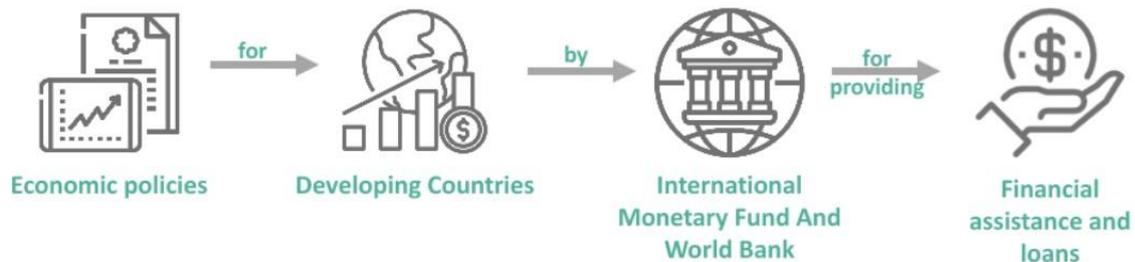Email: tejakatanvi@gmail.com

Abstract

The study addresses the connection between the foreign aid inflows and the multidimensional development outcomes, especially the growth of the economy, poverty reduction, job creation and income distribution in the framework of a developing economy. Based on the quantitative, descriptive and exploratory research design, the research design employed stratified random sampling in gathering primary data of 150 respondents that was complemented by secondary sources. The analysis was done statistically in the same way with the help of the descriptive statistics, correlation, and regression as well as ANOVA in MS Excel and SPSS 27. The findings obtained indicate that international assistance inflows and economic development have a moderate, statistically significant positive correlation ($r = 0.506$, $p < 0.01$), and regression results indicate that FA has a significant effect on reducing poverty, creating jobs, and distributing income ($R2 = 0.152$, $p = 0.01$). The evidence indicates that foreign assistance does play a positive role on inclusive socio-economic development in an environment that matches up with formal quality and effectiveness of governance. The study concludes that foreign aid is a strategic tool to sustainable development provided it is backed by clear institutions and good policy frameworks.

Keywords: Foreign Aid, Economic Growth, Poverty Reduction, Institutional Quality, Sustainable Development

1. Introduction

Development economics looks at how the low- and middle-income countries are changing their structure with the aim of achieving long-term economic growth, alleviating poverty, and enhancing human welfare. Initial theoretical models like the Solow growth and Harrod-Domar models focused on accumulation and savings as the main factors of growth and argued the lack of investment in a country increased development, which developed via investment (Malizia, E., et al., 2020). The structuralist views and the Big Push theory believed that large-scale investment has to be coordinated in order to overcome market failures and promote industrialization. Dependency theorists later argued that the world economic systems are the cause of underdevelopment in the peripheral countries. (Wei). Conversely, the capability approach which was advanced by Amartya Sen moved the focus away to income-based measurements and focused on human freedoms as a fundamental part of development, in the form of education, health, and empowerment. Institutional economics also emphasized the importance of the government and property rights, as well as political stability, in defining development outcomes (Schumpeter and Swedberg 2021). Together, these theoretical strands suggest a multidimensional approach to economic progress and precondition the investigation of foreign aid interaction with domestic institutions, policies and structural conditions to determine the long-term development pathways (Witt).

Figure 1: Structural Adjustment Programs (SAPs) in Developing Countries

Source: www.wallstreetmojo.com

Foreign aid was thus seen as a strategic and development tool during the era of the world-war II as it was in the case of the Marshall plan that sought to rebuild the war-torn Europe. Governments such as "World Bank, International Monetary Fund and other agencies of the UN" have become the providers of multilateral assistance to aid architecture over the years. The aid can be in the form of grants, concessional loans, technical support, humanitarian assistance, or project financing (Ahmed et al., 2022). Theoretical justification of aid is frequently based on the Two-Gap model, according to which developing states have savings and foreign exchange problems, which can be solved with the help of external aid (Wudil et al., 2023). But aid has transformed to not only transferring capital but also making conditionalities in their policies, institutional reforms and capacity building missions. There has been a shift in the terms of discourse towards no longer focusing on the amount of aid flows but the quality and efficiency of the use of aids and an increasing focus on the balance with national priorities, institutional empowerment, and development results (Baglikov 2023).

The key question of aid effectiveness is whether FA is a source of economic growth and poverty reduction. There are still mixed empirical results based on circumstances. The econometric work across some countries exists to show that aid is positively associated with growth when it is combined with good macroeconomic policies and effective institutions (Woldegiorgis et al., 2024). Aid has been identified with infrastructural developments, primary school education, vaccination programs and poverty reduction programs, hence increasing human capital formation. On the other hand, critics believe that overdependence causes dependency, financial laxity, and undermining internal accountability systems (Mahembe & Odhiambo 2020). The nexus of growth and poverty also adds some complexity to the argument because economic growth does not necessarily result in income redistribution or elevated social welfare (Bicen and Coban 2024). Modern-day techniques, especially randomized controlled trials (RCTs), have enhanced causal inference on micro-level interventions, especially in the areas of health, education, and financial inclusion. However, there is controversy over aggregate-level effects, which is a sign of heterogeneity among nations, regimes, and capabilities of implementation (Kaydor 2024).
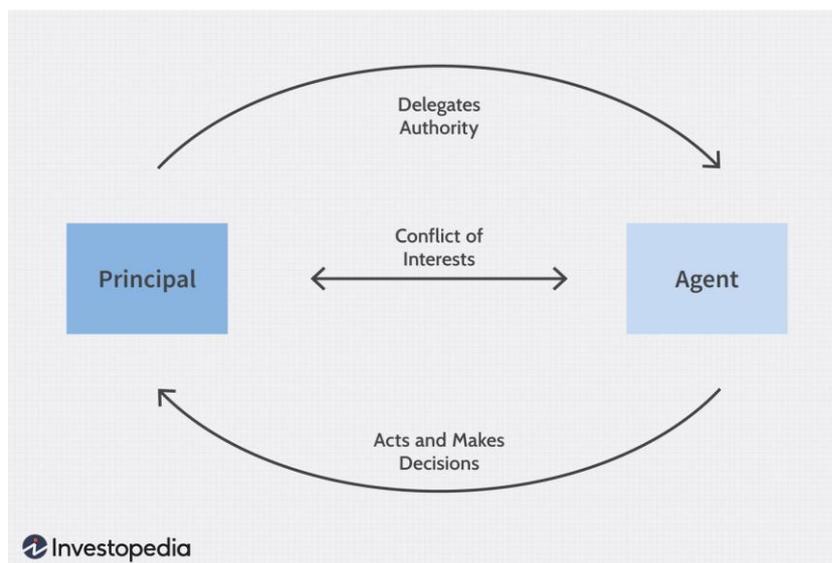
Figure: Consumer Relationship Model

Source: https://www.investopedia.com/

The quality of the institution is a key feature in developmental aid. Some of the issues brought out by the political economy school of thought include corruption, rent-seeking behavior, poor management of public finances, and the misalignment of interests between a donor and a recipient. The principal-agent problem demonstrates that donor agencies (principals) can have difficulties with overseeing recipient governments (agents), which results in inefficiencies and resources diversion (Ting 2021). These dependency theory critiques go on to say that chronic aid dependence can compromise domestic revenue sources and policy independence. On the contrary, its advocates believe that when carefully directed to institutional reform, aid can fortify governance institutions and boost accountability (Poniatowicz et al., 2020). To alleviate such challenges, international reform efforts, such as the Paris Declaration on Aid Effectiveness and a series of global partnerships focus on country ownership, harmonization, and results-based management (Abaidoo & Agyapong 2022). The institutional environment plays a very big role in mediation between aid inflows and development outcomes, which implies that governance reforms are inalienable in the process of maximizing aid effectiveness.

Sustainability, digital transformation, and climate resilience are becoming part of the development economic analytical framework in the modern era. The implementation of the "Sustainable Development Goals" (SDGs) is an indication of holistic approach of connecting social inclusion with economic development and environmental sustainability (Tribe). The current aid policies embrace climate finance, gender programs and digital financial inclusion programs. Another model of cooperation has become South-South cooperation, which has diversified the classical model of donor-recipient cooperation. Moreover, the concept of public-private partnership and blended finance are becoming increasingly popular as new financing options (Ardal et al., 2020). Regardless of these developments, there are still controversies on the issue of aid fragmentation, geopolitical interest, and sustainability in the long term. Transparent governance, designing policy that is tailored to the context, and impact evaluation are the keys to the future of aid effectiveness. Development economics, the aid effectiveness is both an interrelated area and at the same time, they aim to understand the role of external financial aid, national institutions and structural adjustments in achieving inclusive and sustainable economic growth in collaboration.
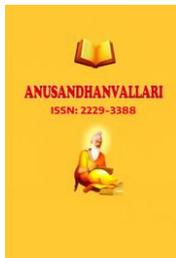
The study is an exhaustive investigation of the dynamic nature of the affiliation between development economics and aid effectiveness through a critical analysis of how the modern forms of FA strategies can lead to sustainable and inclusive development in the developing nations. To be more specific, the objectives aim at assessing the degree to which aid programmes regarding sustainability, digital transformation, climate resilience, and social inclusion models have an effect on economic growth, poverty alleviation, human capital development, and institutional empowerment. It also tries to examine how governance quality, policy alignment and innovative financing mechanisms, as well as "public-private partnerships and blended finance", can be used to improve the growing effectiveness of external aid. The study analysed the following objective:

➢ To analyse the relationship between foreign aid inflows and economic growth in developing economies.

➢ To evaluate the impact of foreign aid on poverty reduction, employment generation, and income distribution.

2. Literature Review

Tribe, M. surveys the history of the development of the aid delivery frameworks since 2000, including the distribution of the "Official Development Assistance" (ODA) in different sectors and new types of donors. It uses methodologically data released by the OECD QWIDS and the "World Banks World Development Indicators" to examine changes in development finance, such as the differences between ODA, "Official Development Finance (ODF) and Other Official Finance" (OOF) and commercial lending. The results show a radical shift of the institutional complexity of the aid sector and priorities of the traditional donors due to socio-economic processes and altering perceptions of the aid efficiency. The study points out that the mentioned shifts represent a shifting environment in foreign aid, and the targeted strategies and objectives require reconsideration to guarantee the effective response to modern challenges.

Ting, M. M. (2021) constructs a moving theory of social and political basis of the quality of governance. The model assumes that there are set expectations of groups of citizens in a given public service, and citizens decide whether to seek service when the need is experienced. These groups of politicians can identify the benefits of these policies and leave the bureaucrats with the power to invest in the long-run quality of services. The key characteristic of the theory is that it is based on interaction between citizens and government and is based on the famous queueing models of the service provision in an organization. The model offers a structure on how to describe the effectiveness and sustainability of the government programs.

Poniatowicz, M., et al., (2020) perform an econometric analysis and to analyse relationships between institutional variables that refer to the value of governance and the degree of GDP per capita in 28 countries of the European Union that are also members. The discussion of the concepts of public governance and good governance is done through critical analysis of the new literature. New Institutional Economics theory studies institutional quality of the public sector. This enables to signify the institutional aspects of the quality of the public sector. In this respect, the World Bank data was considered, and six indicators, put forth by this organization, were presupposed to be synthetic indicators of the quality of governance (The Worldwide Governance Indicators - WGI).

Singh, B. P., & Pradhan, K. C. (2022) investigates the hypothesis that institutional quality is linked to economic performance in South Asia between 2002 and 2016, by providing six "World Bank Governance" indicators to construct a composite form of "governance index and used per capita real GDP" to ration economic performance. It uses the "Fully Modified Ordinary Least Square" (FMOLS) and fixed effects regression as
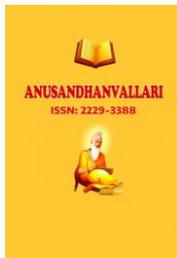
methodologies in the analysis of long-run relationships and the "Dumitrescu-Hurlin panel causality test" in the short-run diagnostics of panel relationships. Results have shown that although institutional quality is a positive impact of long-term economic performance, specific regulatory actions such as oversight of "corruption, government effectiveness, and political stability" are significant factors to improve economic performances. The conclusion is that South Asian nations would need to consider indications of poor governance such as "good tax-system, health, education, infrastructure, and skill development" in the short-run in order to generate decent governance and realize improved economic results in the long-run.

Khan, H., et al., (2022) revisits the interaction between institutional quality and fiscal growth in the developing and emerging countries. This work is always the first grand scale and broad based which classifies the nations into developing and emerging countries utilizing various dynamic means. The GMM is used to establish experimental findings of the research, and it shows that the better institutions play a significant role in financial development: "political stability, control of corruption, and regulatory quality" exert a beneficial impact on the fiscal development of the global panel of the research. The study observed that emerging nations have become less corrupt, yet other institutional measures are identified to be irrelevant. The study is conclusive that good quality institutions are the primary contributors to financial development and it drives financial development.

Mahembe, E., & Odhiambo, N. M. (2020) determine the effectiveness of official development assistance or FA in alleviating exciting poverty; test whether the form and origin of aid is relevant; and test whether economic or political freedom is more efficacious in advancing assistance in underdeveloped nations. The study employs recent dynamic panel estimate methods (system generalized method of moments), among which are the methods that address endogeneity by addressing simultaneousness, and unobserved heterogeneity. The study concludes that FA works tremendously to alleviate poverty, and the findings are consistent in all extreme poverty proxies. It sheds light on the fact that total aid, grants and bilateral aid are more effective in poverty reduction.

Biçen, Ö. F., & Çoban, M. N. (2024) concentrates both upon the correlation between the aid in development and growth and also studies the contribution of the institutional development levels of the countries to the correlation and derives economic conclusions. The review is performed on 64 countries that have been officially assisted in the 2000-2020 period. In these studies, the Driscoll and Kraay estimator is applied following the fixed and random effects models to be able to come up with solid estimates. Among the estimated models, a high degree of positive relation between official development assistance per capita and growth is observed in nearly all the models. Besides, the models which include institutional factors and interaction terms support the results as well. Based on the strong analysis findings, official development assistance per capita has a beneficial impact on growth.

Suhrab, M., et al., (2024) analyses the nexus between "digital financial inclusions (DFI) and income inequality GINI within the BRICS nations" with moderate effects of "technological innovation (TI) and infrastructure development" (ID) in its focus. By using the "Driscoll-Kraay" (DK) and fixed effects tests, we can find that DFI has a huge adverse impact on income disparity, the influence of TI and ID further reinforce this finding. The results suggest that TI, as well as ID, may actually reduce the level of income variation in BRICS countries by making transactions faster, safer, less expensive and providing more options to access markets and key services. This study has highlighted that policymakers should focus on the execution of TI and ID to achieve "sustainable development" objectives and promote financial presence among everyone in the BRICS nations.

Golder, U., et al., (2021) measures the effect of foreign aids on the economic growth of the country using annual data between the years 1989-2018. To reach the research objective, the "Autoregressive Distributed Lag" model is used, and the obtained empirical results demonstrate that the effects of foreign assistance on economic growth are significant and strong. The result designates that the domestic investment demonstrates a significant
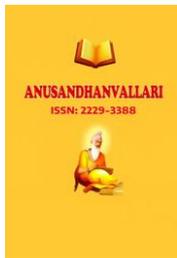
role in the nation's economic advancement. As shown in the empirical findings, the relationship "between aid, domestic investment and growth" has an assured significant influence at 1% level in long run, but not vice versa. Nevertheless, "aid, domestic investment, trade openness, and growth" have positive and significant response also at the 1% level in the short run.

Sobocinska, A. (2020) asserts a place of cultural methods of histories of FA in the 20th and 21st centuries. This analysis commences by exploring the historiographies of humanitarianism and international development, contending that historical scholars have superior access to the initiatives and efforts of humanitarian NGOs and international development agencies as a collaborative endeavour in foreign assistance. It subsequently delineates several cultural categories that influenced 20th foreign aid, including "political, bureaucratic, organizational, national, popular, and emotional or affective cultures", and provides the nine pieces constituting this special issue on "New Histories of Foreign Aid".

Calero, C., & Turner, L. W. (2020) surveys the literature on "regional economics and economic geography", as applied to tourism in a bid to determine theoretical models, in an endeavour to elucidate the importance of tourism in the growth and evolution of a region, and application of these models in practice. The analysis concludes that during the formative years, the theories of regional development failed to encompass tourism, as the regional economics and location school of thought did not see tourism as important enough to ever affect the economic development, in addition to the fact that development planners consider urban over rural and that the researchers of regional science tend to favour manufacturing over services. The study has reached an end based on proposals of the way forward that will advance the study of regional tourism as an economic development and growth-based study.

Acquah-Sam, E. (2021) creating sports in developing countries to help them grow and develop economically. Industrialisation remains a challenge to many developing nations in the attempt to accelerate the rate at which economic growth and development would take place. This study aimed at holistically discussing the issues of the advancement of sports in developing nations, the protracted complementary policies or cardinal pillars (CP) of sports development in developing countries, and the advantages of sports advancements and their effects on the economic evolution and development of developing countries. It concludes that the development of sports depends on the overall development of ten long-run complementary strategies or CP. The principal recommendations of the study are that adequate and sustained rates of all types of investment in sports, along with effective institutions, good governance, and viable and complementary policies, are very essential in sports and economic progress and development in developing nations.

3.   Research Gap

The critical review indicates that there is a gap in research on the key issue of the combined study of foreign aid, institutional quality, and multidimensional development outcomes using a single empirical framework that would be necessary to address the key factor of research gaps in the context of India and other emerging economies. Although, some studies touch on the changing nature of the aid delivery system and the general discussion on the effectiveness of aid, much of this work is descriptive and macro-oriented in nature. Most empirical studies tend to either place their attention regarding the relationship between FA and economic development or the influence of institutional quality on economic growth, but not both at the same time, in a manner that does not consider multiple socio-economic consequences, including poverty reduction, job creation, and income distribution. Besides, the governance-related literature is also likely to leave foreign aid as an explanatory variable and aid-oriented literature often does not consider the moderating impact of institutional quality. Primary data and stratified sampling methods are also not extensively used to influence sector specific
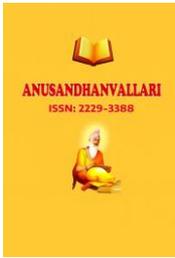
or stakeholder level views. Thus, the most significant gap is that no extensive quantitative research has been conducted to assess foreign aid inflows and their effects on various development indicators simultaneously in a consistent analytical framework in the Indian situation.

4.   Research Methodology

The research methodology used is a quantitative study that has a descriptive and exploratory design to inspect the effects that foreign aid inflows have on the development outcomes in India. The target population encompasses developing and low-income environments that get foreign aid and their most important economic and social spheres. A sample of 150 respondents was selected by using a "stratified random sampling" method. Primary and secondary sources were used to collect data. The independent variable is foreign aid inflows, and the dependent variables are economic growth, reduction in poverty, generation of jobs and income distribution. Analysis of data was done using MS Excel and SPSS 27 using "Mean, Standard Deviation, Correlation and Regression" to test the hypotheses.

5.   Results and Interpretations

Table 1: Demographic Characteristics of respondents

S.NO.	Demographic Characteristics		N	%
1	Gender	Male	83	55.30%
		Female	67	44.70%
2	Age group	Below 25 years	25	16.70%
		25- 34 years	34	22.70%
		35-44 years	34	22.70%
		45-54 years	24	16%
		Above 55 years	36	24%
3	Occupation	Government Official	29	19.30%
		Policy Analyst	40	26.70%
		Private Sector Professional	41	27.30%
		Development Sector Professional	40	26.70%

4	Income Level	Below Rs 25,000	28	18.70%
		Rs 25,001–Rs 50,000	46	30.70%
		Rs 50,001– Rs 75,000	34	22.70%
		Rs 75,001–Rs 1,00,000	22	14.70%
		Above Rs 1,00,000	20	13.30%
5	Exposure to Foreign Aid Programs	Directly involved in aid-funded projects	42	28%
		Indirectly involved	39	26%
		Aware but not involved	34	22.70%
		No exposure	35	23.30%

Demographic profile of the people interviewed reveals that the sample is moderately balanced but slightly dominated by males with male (55.30) making up 83% of the total and female (44.70) making up 67%. Regarding the age group, the highest percentage is above 55 years (24%), with the 25-34 years and 35-44 years groups following closely (22.70 each) indicating a balance between the experienced and mid-career professionals. The occupational structure is quite well balanced with the highest number of 27.30% with the occupation of the Private Sector Professionals, the next largest population of 26.70% with the occupation of Policy Analysts and Development Sector Professionals and finally the occupational group of Government Officials (19.30%). In terms of the income bracket, most of the respondents are in the bracket of 25,001- 50,000 (30.70%), which indicates a mostly middle-income population. Lastly, foreign aid programs also seem to have substantial exposure with 28% having direct exposure and 26% having indirect exposure where 22.70% are aware and not involved and 23.30% had no exposure. On the whole, the sample is balanced in terms of demographics and has substantial participation in activities related to foreign aid.

➢ **Hypothesis Testing**

H1: There is a significant positive relationship between foreign aid inflows and economic growth in developing economies.

Table 2: Descriptive Statistics Table

Descriptive Statistics			
	Mean	Std. Deviation	N
Foreign aid inflows	10.3533	2.55972	150
Economic growth	9.6133	3.00957	150

The descriptive statistics show that the sample of 150 respondents has the mean of 10.35 and a SD of 2.56 with the mean score of the foreign aid inflows whereas, the mean value of economic growth is 9.61 and a SD of 3.01. The moderately higher average of the FAs inflows would indicate that the respondents tend to have a moderately high level of perception of the aid inflows. The same situation is observed in economic growth, which has a positive perception of the level of growth in the context of the study. The economic growth SD (3.01) is a little higher than the standard deviation of foreign aid inflows (2.56) which means that there was more variance in the responses about economic growth. This implies that the views of economic growth are slightly more diffused among the respondents than that of foreign aid inflows. On the whole, the data display moderate values of central tendency with moderate variability, which form an adequate foundation to conduct other inferential statistics, includes correlation and regression analysis to inspection the relationship between FA inflows and economic growth.

Table 3: Correlations Table

Correlations		Foreign aid inflows	Economic growth
Foreign aid inflows	Pearson Correlation	1	.506**
	Sig. (2-tailed)		.000
	N	150	150
Economic growth	Pearson Correlation	.506**	1
	Sig. (2-tailed)	.000	
	N	150	150
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlation analysis designates that there is a moderate positive correlation among foreign aid inflows and economic growth and the PCC (r) is 0.506. This means that the more the inflows of FA, the higher the growth of the economy. The correlation is significant at the 0.01 level (p = 0.000, two-tailed), indicating that the given correlation might hardly have been achieved by chance. The correlation strength of 150 respondents is significant and can be regarded as meaningful and worth further interpretation. The positive coefficient indicates that the better the level of foreign aid, the better the economic performance in the research setting. Thus, the results empirically confirm the hypothesis that the inflows of FA are significantly positively related to the economic growth.

H2: Foreign aid has a significant impact on poverty reduction, employment generation, and income distribution in developing countries.

Table 4: Model Summary Table

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.390[a]	.152	.146	2.39743
a. Predictors: (Constant), Foreign aid inflows				

According to the model summary, the power of "foreign aid inflows" to explain fluctuation in economic growth is moderate. The correlation coefficient (R = 0.390) is positive indicating that there is a relationship between the predictor and the dependent variable. The R Square of 0.152 implies that the fluctuation in the economic growth can be attributed to the inflows of foreign aid on its own to the extent of about 15.2%. This is to show that even though foreign aid contribution economic growth, a large percentage (84.8) of the change is affected by other factors left out of the model. The adjusted R square of 0.146 which takes into consideration the sample size and the complexity of the model is a little less but still close to R square, meaning that the model has a good explanatory ability and is not overfitted. Moreover, the "standard error of the estimate" (2.39743) designates the average difference between the empirical and the anticipated values and indicates the moderate important of predicting the value.

Table 5: ANOVA[a] Table

ANOVA[a]						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	152.338	1	152.338	26.504	.000[b]
	Residual	850.656	148	5.748		
	Total	1002.993	149			
a. Dependent Variable: Poverty reduction, employment generation, and income distribution						
b. Predictors: (Constant), Foreign aid inflows						

The outcome of the ANOVA shows that the regression model is statistically substantial to elucidate the effect of the inflows of the FA on the reduction of poverty, creation of employment and income distribution. The model presents the Regression Sum of Squares of 152.338 and RSS of 850.656 and a Total Sum of Squares of 1002.993. The value of F = 26.504 is significant at the 0.01 level (p = 0.000), which confirms that the complete

regression equation gives a superior fit compared to a regression equation of no predictors. This implies that the inflows of foreign aid demonstrate important role in explaining differences in poverty reduction, generation of employment, and income distribution. The null hypothesis of no impact is not accepted as the significance value is smaller than 0.05. So, the findings confirm that the inflows of foreign aid have statistically significant influence on socio-economic expansion indicators in the context of the study.

Table 6: Coefficientsᵃ Table

<table>
<tr><td colspan="7" align="center">Coefficientsᵃ</td></tr>
<tr><td rowspan="2" align="center">Model</td><td colspan="2" align="center">Unstandardized Coefficients</td><td align="center">Standardized Coefficients</td><td rowspan="2" align="center">t</td><td rowspan="2" align="center">Sig.</td></tr>
<tr><td align="center">B</td><td align="center">Std. Error</td><td align="center">Beta</td></tr>
<tr><td rowspan="2" align="center">1</td><td align="center">(Constant)</td><td align="center">6.917</td><td align="center">.818</td><td></td><td align="center">8.454</td><td align="center">.000</td></tr>
<tr><td align="center">Foreign aid inflows</td><td align="center">.395</td><td align="center">.077</td><td align="center">.390</td><td align="center">5.148</td><td align="center">.000</td></tr>
<tr><td colspan="7" align="center">a. Dependent Variable: Poverty reduction, employment generation, and income distribution</td></tr>
</table>

The results of the coefficient yield that the inflow of foreign aids has statistically significant positive impact on reduction of poverty, the creation of employment, and the income distribution. The unstandardized coefficient (B = 0.395) means that as the number of inflows of the FA increases by one unit, the dependent variable rises by 0.395 points, the other factors remaining constant. This indicates that increased amount of foreign aid is related to quantifiable socio-economic development outcomes. The SC (Beta = 0.390) shows a moderate positive effect size, indicating that the effect of inflows of FA significantly influences the explanation of the changes in poverty reduction, employment, and income distribution. The t-value of 5.148 is significant at 0.01 level (p = 0.000) which proves that the predictor is significant in the model. Also, the constant figure (B = 6.917, p = 0.000) shows the level of the dependent variable at zero values of foreign aid inflows.

## 6.	Discussion

The study's results support the overall theoretical and empirical debate on aid effectiveness since they show that there exists statistically significant and favourable association between foreign assistance inflows and multidimensional development outcomes. The positive non-significant association between foreign aid and economic development is comparable to those of Golder, Sheikh, and Sultana (2021) which also found a significant long-term correlation between assistance and economic growth in Bangladesh. On the same note, the substantial regression findings that show the effect of foreign assistance on poverty alleviation, creation of employment and income distribution are in line with Mahembe and Odhiambo (2020) who determined that official development support has a significant contribution to the reduction of poverty in the developing countries. Moreover, the beneficial impact in this paper echoes the study conducted by Bicen and Coban (2024) which highlighted that the per capita aid has a positive impact on economic performance especially under the right institutional environment. These convergent results indicate that with proper distribution and management, foreign aid could be employed as an impetus to inclusive development. Nonetheless, in line with the
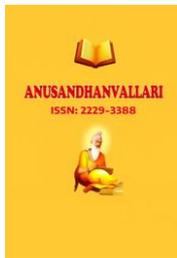
institutional views in the literature, the explanatory strength of the model also shows that concomitant reforms in governance are still necessary in order to achieve optimal aid efficacy.

7.   Conclusion

The study concludes the existence of the correlation between "foreign aid inflows and development" (in terms of economic growth, poverty alleviation, employment creation and income distribution) in the in the environment of a developing economy. The empirical results give good statistical evidence that the influx of foreign aid is markedly and favourably associated with economic growth as indicated by a moderate Pearson correlation coefficient. Moreover, regression analysis also validates the fact that foreign aid demonstrates a substantial effect on more general socio-economic metrics, such as poverty alleviation, job creation, and increased income distribution. The results of ANOVA and coefficient indicate that the model is significant at a statistical level, which in turn proves the two hypotheses that were presented in the study. The study concludes that the "inflows of foreign aid" are a positive tool of facilitating the culture of inclusive growth and socio-economic developments provided that they are well handled and strategically defined with the national development goals. The above findings indicate the need to enhance institutional structures and open access to aid resources in order to increase the developmental effects and sustainability levels in the long term.

➢   Implications, Limitations, and Future research direction

The study has both policy and practical implications, as the inflows of foreign aid have a potential to greatly contribute to economic growth, poverty alleviation, job creation, and better income distribution when properly utilized. Policymakers ought to thus focus on increasing institutional quality, transparency and accountability systems in order to ensure a high developmental potential of the aid resources. Nevertheless, this study has some limitation such as dependence on primary data based on perception, fairly small sample of 150 respondents and investigation of only a single independent variable which might not be a comprehensive portrayal of the development dynamics. There is also the causal limitation to interpretation provided by methods used in the cross-sectional design. Future studies can take longitudinal or panel-based design, add more variables, including institutional quality, governance indicators, domestic investment, and digital financial inclusion, and broaden geographical coverage to allow comparison across the developing economies to produce more strong and generalizable results.

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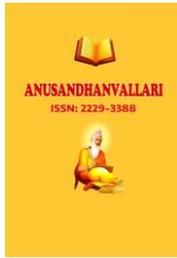
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