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-RESEARCH ARTICLE-

FINANCIAL DEVELOPMENT AND INVESTMENT ATTRACTION IN BRI COUNTRIES: A COMPARATIVE ANALYSIS OF HIGH-, MIDDLE-, AND LOW-INCOME NATIONS

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─Abstract─

The study examines the influence of financial development, trade openness, Foreign Direct Investment (FDI) inflows, regulatory quality, and economic freedom on economic performance and investment appeal among Belt and Road Initiative (BRI), nations. It utilises secondary data spanning 2003–2022, sourced from globally recognised institutions such as the World Bank and IMF. Singapore, Kazakhstan, and Pakistan represent high-, middle-, and low-income nations, respectively. Descriptive statistics reveal significant disparities, with Singapore excelling in GDP per capita, trade openness, and FDI inflows due to robust financial systems and governance. Kazakhstan demonstrates moderate progress, hindered by resource dependence and governance challenges, while Pakistan faces structural inefficiencies, weak financial development, and poor regulatory quality, severely restricting economic growth.

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Regression analysis confirms the substantial effect of financial development and regulatory quality on GDP per capita, though the impact varies across income groups. The findings underscore the need for tailored policy measures to address disparities, reinforce financial and regulatory structures, and foster sustainable economic growth within the BRI framework. This study thus offers actionable insights for policymakers to maximise the advantages of economic integration initiatives.

Keywords: Belt and Road Initiative (BRI), Financial Development, Foreign Direct Investment (FDI), Trade Openness, Economic Freedom

INTRODUCTION

The Belt and Road Initiative (BRI), launched by the Chinese government in 2013, has rapidly emerged as one of the most ambitious investment and infrastructure development programmes in modern history. Designed to enhance trade, investment, and connectivity across Asia, Europe, Africa, and beyond, the BRI encompasses over 140 nations, spanning both developed and developing economies (Butt, 2021). Its extensive scope, covering infrastructure development, financial collaboration, and cultural exchanges, has positioned the BRI at the centre of global economic policy. However, the attractiveness of BRI countries to Chinese investments varies significantly, reflecting disparities in financial development, macroeconomic conditions, and institutional frameworks.

A key determinant of investment attractiveness is the financial development of participating countries. Financial development—encompassing the depth, efficiency, and accessibility of financial institutions and markets—is widely recognised as a crucial driver of economic growth and foreign investment inflows (Nguyen, 2022). Nations with well-developed financial systems are better positioned to attract and effectively utilise foreign investments, including those from China, due to their ability to mitigate risks, lower transaction costs, and enhance investor confidence (Guo et al., 2020). Conversely, countries with weak financial infrastructure struggle to fully capitalise on BRI opportunities, resulting in uneven economic benefits across different regions.

The study categorises BRI countries into three income groups: high-income, middle-income, and low-income. High-income nations, exemplified by Singapore, typically possess advanced financial systems, robust regulatory frameworks, and open trade environments that facilitate Chinese investment. Middle-income countries, represented in this study by Kazakhstan, exhibit growing yet evolving financial infrastructures. In contrast, low-income nations, such as Pakistan, face structural economic challenges, including underdeveloped financial systems, regulatory inefficiencies, and political instability, which significantly hinder their ability to attract and sustain investment inflows. This research places strong emphasis on the role of financial development in

attracting Chinese investment into BRI countries. Using key indicators such as the Financial Development Index, Regulatory Quality, Economic Freedom, and GDP per capita, it examines the extent to which financial systems influence the economic integration of BRI nations with China (Petry, 2023). Additionally, it assesses how income-level classifications affect investment patterns, financial integration, and the overall economic benefits derived from BRI participation. These disparities necessitate careful consideration by policymakers in both China and BRI countries. For BRI nations, aligning investment strategies with the specific financial and institutional capabilities of partner countries is essential to ensuring the initiative's long-term sustainability and effectiveness. Strengthening financial development and addressing institutional gaps are critical for optimising the benefits of Chinese investment. The findings of this study thus highlight the need for policy reforms and financial restructuring to achieve mutually beneficial economic outcomes.

Research Objectives

1. To examine the relationship between financial development and GDP per capita across high-, middle-, and low-income BRI countries, using Singapore, Kazakhstan, and Pakistan as case studies.
2. To assess the impact of trade openness and FDI inflows on economic growth in BRI countries at different income levels, highlighting their role in determining investment attractiveness.
3. To evaluate the influence of regulatory quality and economic freedom on investment trends and the economic integration of BRI countries with China, identifying policy gaps and opportunities for improvement.

Research Questions

1. How does financial development impact GDP per capita in BRI countries across different income levels, specifically in Singapore, Kazakhstan, and Pakistan?
2. What is the effect of trade openness and FDI inflows on economic growth in high-, middle-, and low-income BRI countries?
3. How do regulatory quality and economic freedom influence the capacity of BRI countries to attract and sustain Chinese investments?

By adopting a comparative approach involving Singapore, Kazakhstan, and Pakistan, this study contributes to the discourse on how financial development and income-level classification influence the economic performance of BRI countries. It seeks to provide policymakers and stakeholders with insights into how BRI nations can enhance their investment attractiveness and economic integration, thereby supporting broader global development objectives.

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LITERATURE REVIEW

Introduction

The BRI is a global economic and connectivity project led by China, linking over 140 countries through land and maritime routes to facilitate trade, investment, and economic cooperation. Understanding the factors influencing financial development, GDP per capita growth, trade openness, FDI inflows, and regulatory quality in BRI countries—including Singapore, Kazakhstan, and Pakistan—provides valuable insights into enhancing economic integration and investment attractiveness. This literature review explores the interactions among these factors and examines their policy and economic growth implications.

Financial Development and GDP Per Capita

Tjio (2020) highlights the growing significance of financial development in driving economic growth and increasing GDP per capita, particularly in developing economies within the BRI. Financial structures—encompassing fund mobilisation, investment allocation, and resource productivity—serve as fundamental pillars for sustained economic development. Singapore, a high-income BRI nation, exemplifies the role of financial development in fostering economic success. Its advanced financial sector, well-regulated banking and capital markets, and effective regulatory reforms have significantly contributed to high GDP per capita (Shah et al., 2023). The city-state's commitment to innovation, digital finance, and internationalisation strategies has reinforced its position as Southeast Asia's financial hub (Ji, 2023; Puschmann & Leifer, 2020). Additionally, financial liberalisation and openness to foreign investment have enhanced Singapore's resilience and capacity to attract high-tech investments (Guo et al., 2020).

While financial development in middle-income BRI countries such as Kazakhstan remains moderate, the BRI has played a crucial role in fostering economic growth. Investments in infrastructure, particularly in energy, transport, and logistics, have contributed to improvements in GDP per capita. Kazakhstan's strategic position within the Silk Road Economic Belt grants it access to competitive global trade markets; however, financial market depth and access to capital remain limited. The country's progress is further supported by advancements in financial governance and regulatory reforms, although geopolitical risks continue to pose challenges to achieving these objectives (Hazzan et al., 2023). In contrast, low-income BRI nations like Pakistan face structural inefficiencies, weak regulatory institutions, and limited financial inclusion, which constrain financial sector development. Infrastructure projects under the China-Pakistan Economic Corridor (CPEC) have significantly expanded transportation networks and energy capacity, fostering trade and connectivity that may contribute to GDP per capita growth. However, governance challenges, bureaucratic inefficiencies,

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and political instability hinder financial sector advancement, thereby limiting the broader economic impact of such projects (Zubedi et al., 2022). Additionally, concerns over debt sustainability and transparency further obstruct efforts to secure long-term economic benefits (Shah et al., 2021). Financial development remains a critical determinant of GDP per capita in BRI countries, yet disparities persist in financial system efficiency and regulatory effectiveness. While high-income countries possess robust and progressive financial infrastructures, middle-income nations are positioned to leverage long-term investments, whereas low-income economies often require extensive financial and governance reforms. These variations underscore the argument that financial policies should be tailored to the specific economic and institutional characteristics of each country.

Trade Openness and FDI Inflows as Determinants of Economic Growth

Trade openness is a key determinant of economic growth, particularly within BRI countries, as it facilitates trade liberalisation, enhances market access, attracts FDI, and accelerates GDP expansion. In the case of Malaysia, a high-income economy, trade openness has contributed to the development of trading hubs such as Singapore. Singapore's strong legal infrastructure, commitment to governance policies, effective protection of property rights, and well-regulated intellectual property rights (IPR) framework make it an attractive destination for FDI. Additionally, its strategic geographic location and world-class port facilities enhance its role as a global trade hub. These factors collectively drive economic growth by integrating Singapore into global value chains (Guo et al., 2020). The country's alignment with the BRI has further strengthened its connectivity with Southeast Asian nations, leading to increased trade volumes and FDI flows (Rehman et al., 2022).

For middle-income economies such as Kazakhstan, trade liberalisation under the BRI framework has bolstered FDI inflows, particularly in energy, mining, and logistics. Located at the core of the Silk Road Economic Belt, Kazakhstan serves as a crucial transit hub for trade between China, Europe, and neighbouring regions. Infrastructure investments under the BRI have enhanced railway and highway networks, improving connectivity and fostering economic integration, which, in turn, has boosted FDI (Ali et al., 2022). However, challenges remain, including economic overreliance on resource exports and the need to diversify its economy to ensure long-term sustainability (Hazzan et al., 2023). Trade openness in low-income countries such as Pakistan is closely linked to the CPEC, a flagship BRI initiative. CPEC aims to reduce logistical barriers by modernising transport infrastructure and expanding energy networks, thereby improving Pakistan's access to global markets. FDI-driven infrastructure development has supported economic growth by creating employment, expanding energy availability, and facilitating trade. However, concerns over debt sustainability, environmental degradation, and governance inefficiencies hinder the full realisation of the benefits of trade openness (Shah et al., 2021). Additionally, Pakistan's heavy

reliance on Chinese investment raises concerns regarding economic sovereignty and long-term stability (Zubedi et al., 2022).

In conclusion, trade openness and FDI inflows are crucial drivers of economic growth in BRI countries, though their impact varies depending on national policies, economic structures, and BRI project implementation. High-income countries such as Singapore leverage well-established regulatory frameworks to maximise benefits, while middle-income economies such as Kazakhstan capitalise on their strategic location to attract FDI. Meanwhile, low-income nations such as Pakistan rely on large-scale infrastructure projects to enhance trade connectivity. Nonetheless, governance issues, environmental concerns, and economic diversification remain critical challenges in sustaining long-term growth across these nations.

Regulatory Quality and Economic Freedom

Regulatory quality and economic freedom are critical determinants of economic growth and investment attractiveness, shaping the institutional framework necessary for a stable business environment and effective contract enforcement. These factors significantly impact the success of BRI projects, particularly in maximising the benefits of infrastructure investments and fostering economic opportunities. Singapore's robust regulatory quality and economic freedom have positioned it as a global financial hub. The country is renowned for its strong legal frameworks, low corruption levels, and business-friendly policies, making it a preferred destination for international investment (Gonchar & Alekseievska, 2022). Singapore’s adherence to global financial standards and its well-regulated market provides a secure investment climate. Additionally, proactive policies on innovation and digital finance reinforce its competitive edge in the global economy (Poon, 2021).

Kazakhstan has made progress in regulatory reforms, particularly in strengthening property rights, which has enhanced the investment climate and attracted foreign capital into key sectors such as energy and logistics. However, corruption and inconsistent enforcement of economic freedoms remain major obstacles, limiting investment diversification and undermining regulatory improvements (Absadykov, 2020). As a middle-income BRI country, Kazakhstan’s economic success depends on continued governance reforms and the removal of systemic barriers to ensure sustainable growth (Kukeyeva et al., 2024). In Pakistan, weak legal institutions, political instability, bureaucratic inefficiencies, and policy inconsistencies hinder regulatory quality and economic freedom. While the CPEC has highlighted governance challenges and the need for regulatory reforms, issues such as project delays, lack of transparency, and poor contract enforcement continue to undermine its potential impact (Aman et al., 2022). Additionally, concerns over environmental sustainability and rising debt further necessitate strengthened regulatory frameworks and enhanced economic freedoms (Shah et al., 2021).

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In conclusion, regulatory quality and economic freedom are fundamental to the success of BRI projects and economic cooperation. High-income countries such as Singapore exemplify how strong institutional frameworks sustain economic development, while Kazakhstan's gradual progress highlights the importance of continued governance improvements. In contrast, Pakistan's governance deficits and regulatory weaknesses underscore the need for comprehensive reforms to ensure infrastructure investments translate into long-term economic benefits.

Case Studies: Singapore, Kazakhstan, and Pakistan

The BRI serves as a common platform for economies with varying income levels, development stages, and structural characteristics. An analysis of Singapore, Kazakhstan, and Pakistan demonstrates how distinct economic environments influence participation in the BRI and shape its outcomes.

Singapore

Singapore, as a high-income country and an active participant in the BRI, has sustained high GDP growth by continuously advancing financial development and trade openness. Geographically, it serves as a critical financial and logistics hub, aligning with the BRI's vision by enhancing global trade connectivity. Its well-developed infrastructure and relatively low levels of corruption create a favourable environment for FDI, particularly in the financial, technology, and logistics sectors (Guo et al., 2020). Additionally, Singapore plays a pivotal role as a financial intermediary for BRI countries, facilitating funding and international transactions. Its commitment to digital finance and innovation further strengthens economic integration and promotes sustainable global development (Lee et al., 2021).

Kazakhstan

Kazakhstan, a middle-income country, plays a crucial role in the Silk Road Economic Belt due to its strategic position linking Asia and Europe. BRI investments in key infrastructure, including railways, highways, and energy projects, have enhanced trade connectivity and supported economic diversification (Harutyunyan, 2022). However, systemic challenges such as corruption and an underdeveloped financial sector hinder the full realisation of these benefits. While regulatory reforms have improved the business environment and strengthened property rights, further efforts are needed to attract diversified investments and reduce reliance on natural resources. Strengthening governance and ensuring policy stability are critical for Kazakhstan to maximise the economic benefits of the BRI.

Pakistan

Pakistan, as a low-income country, relies heavily on the CPEC, a flagship BRI initiative,

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to enhance infrastructure and drive economic growth. Investments in transport, energy, and industrial projects under CPEC aim to transform Pakistan's economy by improving connectivity and addressing chronic energy shortages (Zubedi et al., 2022). However, governance issues, political instability, and environmental concerns hinder the realisation of these benefits. Delayed project implementation, weak regulatory frameworks, and rising external debt pose significant threats to the long-term sustainability of CPEC initiatives (Wen & Saleeem, 2021). Policy reforms focusing on governance, transparency, and environmental safeguards are essential to maximise CPEC's potential. These case studies highlight the diverse experiences of BRI participants. Singapore exemplifies how high-income countries leverage advanced financial systems and trade openness to sustain growth. Kazakhstan demonstrates the importance of strategic geographic positioning and the necessity for middle-income nations to strengthen their regulatory environment (IMF, 2024). Pakistan underscores the critical role of infrastructure investment in low-income countries while emphasising the need to address governance and sustainability challenges (IMF Middle East and Central Asia Dept, 2022). Collectively, these cases stress the importance of tailored strategies to optimise BRI outcomes across different economic contexts.

Policy Implications

As BRI countries vary in economic status—high-, middle-, and low-income—policy frameworks must be customised to maximise benefits while addressing specific challenges. High-income nations like Singapore should prioritise financial innovation and global integration, middle-income countries such as Kazakhstan require regulatory and governance improvements to attract diverse investments, while low-income nations like Pakistan must focus on infrastructure development, governance reforms, and debt sustainability. Tailored policies addressing financial development, governance efficiency, and sustainability are essential for optimising BRI outcomes across different economic contexts.

High-Income Countries

High-income countries like Singapore must sustain their leadership in financial innovation and digital transformation. As global financial hubs, these nations can leverage emerging technologies such as blockchain, fintech, and artificial intelligence to enhance financial systems. Singapore, for instance, has successfully integrated digital finance, improving cross-border payment efficiency and attracting investment from emerging sectors (Guo et al., 2020). Additionally, policymakers in high-income BRI economies should prioritise public-private partnerships (PPPs) to drive innovation and strengthen economic linkages with lower-income BRI nations, fostering inclusive growth (Gonchar & Alekseievska, 2022).

Middle-Income Countries

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Middle-income countries, particularly Kazakhstan, must prioritise governance and infrastructure reforms to enhance trade and investment. While Kazakhstan benefits from its strategic position along the Silk Road Economic Belt as a transit hub for goods and services, realising this potential requires addressing governance challenges such as corruption and inefficient regulation (Baldakhov & Heim, 2020). Institutional reforms, including a strengthened regulatory framework, improved property rights, and reduced investment barriers, are essential for attracting diversified investments. Additionally, advancements in transport, energy, and digital infrastructure can improve trade connectivity, enabling Kazakhstan to transition towards a more diversified, non-resource-dependent economic model (Ali et al., 2022; IMF, 2024).

Low-Income Countries

Pakistan, as a low-income country, must address structural deficiencies such as weak institutional capacity, political instability, and environmental concerns to ensure the sustainability of BRI projects. Strengthening legal and regulatory frameworks is essential to mitigating project delays, enhancing transparency, and boosting investor confidence (Shah et al., 2021). Additionally, integrating environmental safeguards into infrastructure projects can help minimise ecological risks (Zubedi et al., 2022). Economic diversification is also necessary to reduce overreliance on Chinese investment for growth. Promoting education, vocational training, and local manufacturing initiatives can increase domestic participation in BRI projects, provided supportive policies are in place. A tailored policy approach is crucial to maximising the benefits of the BRI across different income levels. High-income countries should focus on innovation to maintain competitive advantages, middle-income nations must enhance governance and infrastructure to attract diverse investments, and low-income countries should address structural inefficiencies and regulatory weaknesses. These targeted strategies foster inclusive and sustainable development within the BRI framework, ensuring long-term economic benefits for all participants.

Literature Gap

While existing research extensively examines the economic impacts of the BRI on participating nations, significant gaps persist regarding the interplay between financial development, trade openness, FDI inflows, regulatory quality, and economic freedom in influencing GDP per capita across different income levels. Previous studies often analyse these factors in isolation, focusing on specific indicators or individual countries, thereby overlooking a comparative perspective that includes high-, middle-, and low-income BRI participants. Moreover, limited attention has been given to low-income countries such as Pakistan, particularly concerning governance inefficiencies and debt sustainability. This study addresses these gaps by investigating how these economic variables shape investment attractiveness and global economic integration, using Singapore, Kazakhstan, and Pakistan as case studies.

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METHODOLOGY

This study employs a comparative research design to examine the economic indicators influencing GDP per capita and investment attractiveness in BRI countries across different income levels (Halperin et al., 2020). By focusing on Singapore, Kazakhstan, and Pakistan, it provides insights into how financial development, trade openness, FDI inflows, regulatory quality, and economic freedom shape economic trajectories. The research encompasses key methodological components, including research design, data collection, data analysis, methodological justification, and practical implications.

Research Design

A comparative research design will be employed to analyse variations across income groups, offering a comprehensive perspective on economic patterns within the BRI framework. This approach facilitates the comparison of high-income countries like Singapore, middle-income nations such as Kazakhstan, and low-income economies like Pakistan, identifying both commonalities and divergences in financial development and economic integration. The study prioritises a quantitative analysis of economic indicators spanning a 20-year period (2003–2022), making it well-suited for examining longitudinal trends and relationships. Figure 1 illustrates the research design, highlighting the determinants influencing GDP per capita and the corresponding policy recommendations for different income groups.

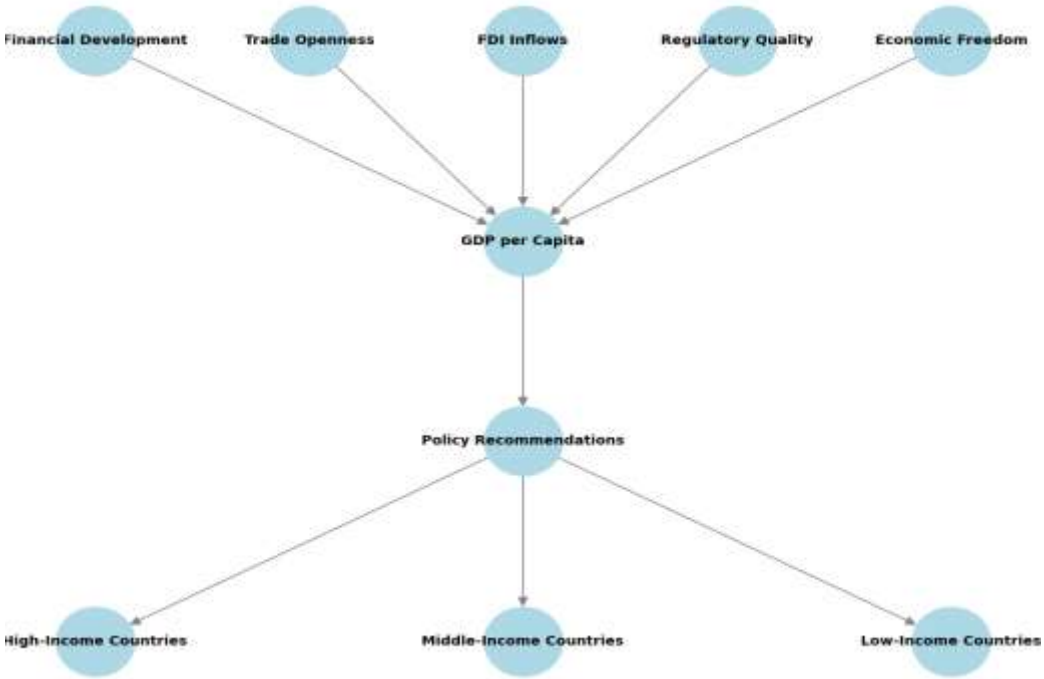


Figure 1: Research Design

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The study identifies five key economic factors directly linked to GDP per capita: financial development, trade openness, FDI inflows, regulatory quality, and economic freedom. These relationships inform policy recommendations aimed at enhancing both the expansion of the indigenous petrochemical sector and investment attractiveness. The proposed strategies are tailored to high-, middle-, and low-income countries, ensuring targeted financial and regulatory interventions. The framework provides a structured methodology for identifying economic imbalances and recommending policies to foster improved economic integration within the BRI framework.

Data Collection

The study ensures credibility through reliability and consistency by utilising secondary data from globally recognised databases. Key sources include GDP per capita, FDI inflows, and trade openness from the World Bank, Financial Development Index values from the IMF, Economic Freedom Scores from the Heritage Foundation, and Regulatory Quality metrics from the World Bank's Worldwide Governance Indicators (IMF, 2022; The Heritage Foundation, 2023; The World Bank, 2023). Data spanning 2003–2022 captures long-term trends, ensuring time-series consistency across all indicators. Properly formatted numerical values (e.g., US$ per capita GDP, FDI percentages, and index values) underwent rigorous cleaning, transformation, and compilation into a comprehensive comparative dataset, enabling robust analysis and credible findings.

Variables

Dependent Variable

- GDP per Capita (US$)

GDP per capita serves as the economic outcome and functions as the dependent variable in this study. It is influenced by key factors such as financial development, governance, and economic freedom, which determine investment attractiveness and overall economic performance.

Independent Variables

- Financial Development Index

Financial development measures the depth, accessibility, and efficiency of financial institutions. It functions as an endogenous variable, influenced by GDP per capita while also playing a crucial role in shaping economic growth and investment dynamics.

- Trade Openness (% of GDP)

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Trade openness is central to a country's participation in international markets, directly influencing economic development and key indicators such as GDP per capita. It reflects the extent of trade liberalisation, tariff policies, and global market integration.

- FDI Inflows (US$ Billion)

FDI inflows indicate the scale and impact of foreign direct investment on economic performance, reflecting capital movement, industrial expansion, and technological transfer within the host economy.

- Regulatory Quality (Percentile Rank)

Regulatory quality represents government efficiency, reflecting its ability to formulate and implement effective policies. It serves as a key control factor influencing GDP growth.

- Economic Freedom Score

Economic freedom quantifies the level of autonomy in trade, investment, and labour markets, directly influencing GDP per capita. By designating GDP per capita as the dependent variable and considering financial development, trade openness, FDI inflows, regulatory quality, and economic freedom as independent variables, this study analyses the interplay between governance, financial systems, and economic performance across different income groups within the BRI framework.

Data Analysis

Quantitative methods examined financial indicators' impact on macro-outcomes. Descriptive statistics outlined trends in GDP per capita, FDI inflows, trade openness, financial development, regulatory quality, and economic freedom. Panel regression analysed financial development, regulatory quality, and economic freedom’s effects on GDP per capita. Comparative analysis assessed income group differences, focusing on trade openness and FDI inflows. Analyses were conducted using Python, SPSS, and Excel for accuracy and reproducibility.

Methodological Justification

Secondary quantitative data ensure reliability as they originate from reputable international organisations. The comparative design clarifies how economic indicators influence investment attractiveness across income groups. By examining Singapore, Kazakhstan, and Pakistan, this study bridges literature gaps by incorporating high-, middle-, and low-income perspectives within the BRI framework.

Practical Implications

These findings offer policy insights to enhance BRI outcomes. High-income economies

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should prioritise financial innovation and global competitiveness. Middle-income nations must focus on governance reforms and infrastructure investment to attract diversified FDI. Low-income countries need to address structural inefficiencies and strengthen regulatory frameworks to maximise BRI benefits. This approach supports economic integration and sustainable development across income groups.

RESULTS

Descriptive Findings

The paper examines key macroeconomic indicators for the selected countries from 2003 to 2022:

1. Singapore had the highest GDP per capita (~$48,000), high trade openness (400% of GDP), and strong FDI inflows (15% of GDP). FDI remained high (~0.85), with exceptional regulatory quality and economic freedom (~95th and ~88th percentiles, respectively).
2. Kazakhstan had a moderate GDP per capita (~$10,000), trade openness (~100%), and FDI inflows (5% of GDP). Financial development and governance showed gradual improvement but reflected reliance on natural resources.
3. Pakistan had the lowest GDP per capita (~$1,875), low trade openness (~35%), and minimal FDI inflows (0.5% of GDP). Financial development and governance remained constrained by domestic structural limitations.

Table 1 compares key economic indicators across Kazakhstan, Pakistan, and Singapore, highlighting disparities in their BRI participation.

Table 1: Descriptive Statistics of Key Indicators

Countries	Kazakhstan	Pakistan	Singapore
Avg. GDP per Capita (US$)	8713.74	1200.95	51199.33
Avg. FDI Inflows (US$ Billion)	8.1505	2.326	24.8195
Avg. Trade Openness (% of GDP)	73.6525	33.392	362.691
Avg. Financial Development Index	0.38	0.19605	0.7085
Avg. Regulatory Quality (Percentile Rank)	32.565	21.395	99.2
Avg. Economic Freedom Score	62.44	54.34	88.015

Singapore, as a high-income nation, leads with an average GDP per capita of $51,199.33, strong FDI inflows ($24.82 billion annually), and high trade openness (362.69% of GDP). Its financial development index (0.7085), regulatory quality (99.2 percentile), and economic freedom score (88.015) reflect robust economic performance. Kazakhstan, a middle-income country, records a GDP per capita of $8,713.74, FDI inflows of $8.15 billion, and trade openness of 73.65%. Its financial development index (0.38) and regulatory quality (32.57 percentile) indicate gradual improvements but

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highlight the need for governance and economic diversification. Pakistan, a low-income country, lags with a GDP per capita of $1,200.95, FDI inflows of $2.33 billion, and trade openness of 33.39%. A weak financial development index (0.19605), regulatory quality (21.39 percentile), and economic freedom score (54.34) reflect persistent structural challenges. These differences necessitate tailored policy strategies to enhance economic participation in the BRI.

Regression Results

To assess the impact of financial development, regulatory quality, and economic freedom on GDP per capita, regression analyses were conducted using time-series and panel data techniques. These tests were performed using statistical software to ensure robust and reliable results. Table 2 presents regression results identifying key determinants of GDP per capita in Singapore. Financial development emerges as the most influential factor, with a coefficient of 235,689.2 and low p-values, highlighting its role in resource allocation and capital market efficiency. Economic freedom also significantly impacts GDP per capita, contributing 5,001.86 units ($p < 0.05$) by fostering competition and business activity. However, regulatory quality shows no significant relationship ($p > 0.05$), despite a positive coefficient, suggesting governance reforms have a lesser direct effect compared to financial and economic freedom measures. The findings indicate that in the absence of these factors, GDP per capita remains negative and significant.

Table 2: Regression Analysis Results

Predictor	B	Std. Error	T-Value	Sig.	[0.025	0.975]
Const	-732392	191323.3	-3.82803	0.001482	-1137979	-326804
Financial Development Index	235689.2	46943.64	5.020685	0.000126	136173.1	335205.3
Regulatory Quality (Percentile Rank)	1777.886	2587.888	0.687003	0.501918	-3708.19	7263.962
Economic Freedom Score	5001.862	2182.358	2.291953	0.035807	375.4701	9628.254

Table 3 regression results indicate that predictor variables do not significantly impact GDP per capita in Kazakhstan at the 0.05 level. Financial development shows no statistical significance ($B = -454.592$, $p = 0.980$), reflecting a weak financial sector with structural inefficiencies. Regulatory quality ($B = -16.9829$, $p = 0.848$) is also insignificant, suggesting governance structures do not effectively drive economic performance. Economic freedom, while positively related ($B = 467.8534$, $p = 0.275$), remains statistically insignificant due to structural barriers. These findings highlight the need for institutional and financial sector reforms, as resource dependency, bureaucratic inefficiencies, and weak financial intermediation hinder sustainable growth.

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Table 3: Regression Analysis Results

Predictor	B	Std. Error	T-Value	Sig.	[0.025	0.975]
Const	-19773.2	18553.22	-1.06576	0.302352	-59104.3	19557.84
Financial Development Index	-454.592	18386.07	-0.02472	0.98058	-39431.3	38522.14
Regulatory Quality (Percentile Rank)	-16.9829	87.03019	-0.19514	0.847741	-201.479	167.5128
Economic Freedom Score	467.8534	413.9887	1.130111	0.275087	-409.764	1345.47

Table 4 regression analysis for Pakistan's GDP per capita reveals financial development as a significant positive factor (B = 9,498.659, $p < 0.01$), indicating that improved financial structures enhance investment and capital movement, directly boosting economic growth. Regulatory quality shows a positive but statistically insignificant effect (B = 42.61412, $p = 0.107$), suggesting that governance improvements alone are insufficient without broader economic reforms. Economic freedom negatively impacts GDP per capita (B = -61.2775, $p < 0.05$), highlighting inefficiencies in Pakistan's deregulation framework. These findings underscore the need for financial sector optimisation and regulatory reforms to enhance sustainable economic growth.

Table 4: Regression Analysis Results

Predictor	B	Std. Error	T-Value	Sig.	[0.025	0.975]
Const	1756.828	942.1601	1.864681	0.080676	-240.462	3754.118
Financial Development Index	9498.659	1411.241	6.730713	4.83E-06	6506.962	12490.36
Regulatory Quality (Percentile Rank)	42.61412	24.9561	1.707563	0.107044	-10.2905	95.51869
Economic Freedom Score	-61.2775	21.06836	-2.90851	0.010258	-105.94	-16.6146

Comparative Insights

The analysis highlights disparities in financial development, governance, and economic performance among Singapore, Kazakhstan, and Pakistan, representing high-, middle-, and low-income groups. These differences necessitate a tailored policy approach within the BRI framework to address country-specific economic challenges and optimise integration.

High-Income Nations (Singapore)

Singapore's economic success is driven by advanced financial systems and strong governance, fostering stability and sustained growth. Singapore's economic strength is evident in its high GDP per capita, substantial FDI inflows, and exceptional trade

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openness.

1. GDP per Capita: Averaging above $51,000, Singapore maintains consistent and robust economic growth.
2. FDI Inflows: With annual inflows reaching $24 billion, the country attracts significant investment due to policies promoting economic freedom and investor rights.
3. Trade Openness: Exceeding 360% of GDP, Singapore's integration into global trade networks remains unmatched.

Figures 2–4 illustrate economic performance under the BRI framework. Singapore exhibits steady GDP per capita growth, while Kazakhstan shows moderate improvement, and Pakistan stagnates due to structural challenges. Singapore leads in FDI, while Kazakhstan's inflows fluctuate due to resource dependency, and Pakistan struggles with low and inconsistent FDI. Trade openness is highest in Singapore, moderate in Kazakhstan, and lowest in Pakistan. These findings align with research objectives, demonstrating how financial development and regulatory quality shape economic growth and investment appeal. Singapore's commitment to digital finance and innovation strengthens its global position, serving as a model for other BRI nations.

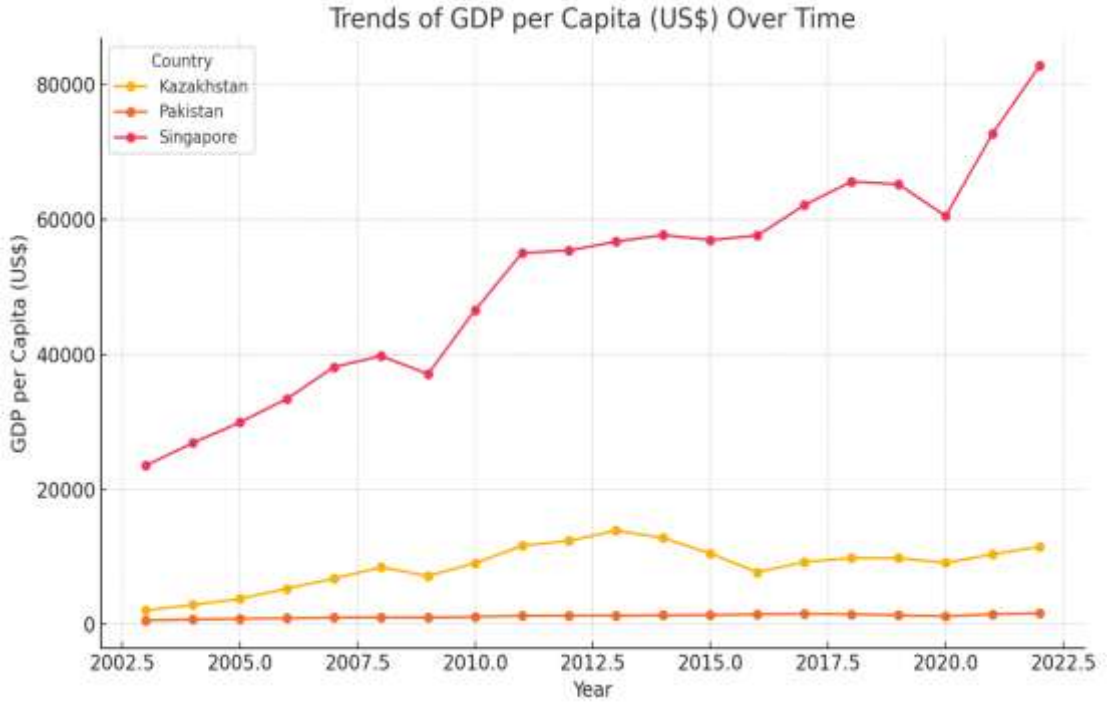


Figure 2: Comparison Trend of GDP per Capita among Singapore, Kazakhstan, and Pakistan

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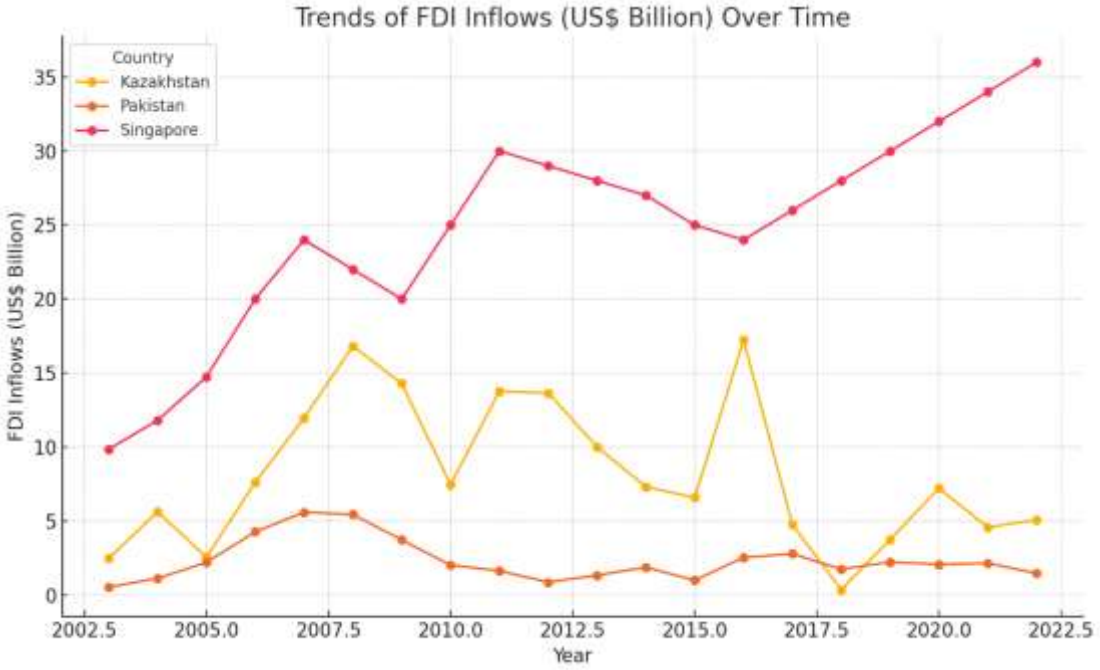


Figure 3: Comparison Trend of FDI Inflows among Singapore, Kazakhstan, and Pakistan

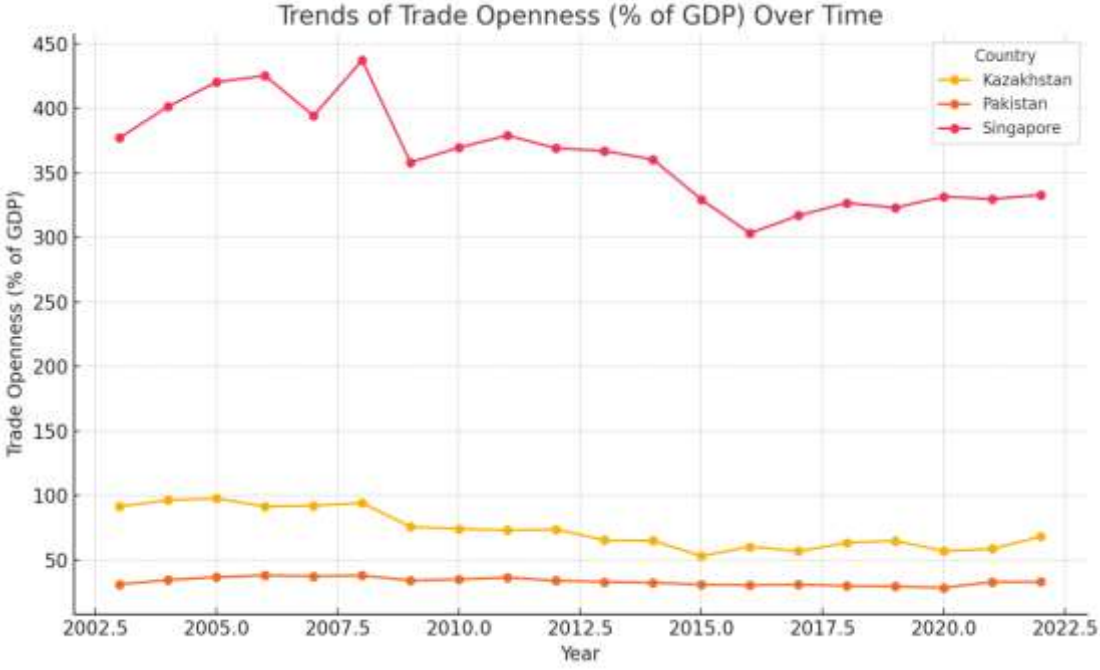


Figure 4: Comparison Trend of Trade Openness among Singapore, Kazakhstan, and Pakistan

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Middle-Income Nations (Kazakhstan)

Kazakhstan benefits from its strategic location within the Silk Road Economic Belt of the EEU, serving as a key transit hub between Asia and Europe.

1. GDP per Capita: Moderate progress, averaging $8,700, driven by investments in transport and energy projects under the BRI framework.
2. FDI Inflows: Annual gross inflows of $8 billion indicate a reliance on natural resources, limiting diversification into other sectors.
3. Regulatory Quality: Some improvements exist, but corruption and weak property rights remain obstacles to further progress.

These findings align with the study's objective of evaluating governance and financial systems in shaping investment patterns. To maximise potential, Kazakhstan must reduce resource dependency and strengthen institutional frameworks to attract diverse investments and foster economic growth.

Low-Income Nations (Pakistan)

Despite a favourable stance towards Belt and Road projects, structural constraints and governance challenges limit investment optimisation in Pakistan.

1. GDP per Capita: Persistently low, averaging $1,200, with limited improvement despite major initiatives like CPEC.
2. FDI Inflows: Low and unstable (under $2 billion annually) due to weak financial development and political risks.
3. Economic Freedom: Remains constrained, undermining investor confidence and exacerbating governance issues.

These findings highlight policy gaps and areas for reform. Addressing regulatory inefficiencies and enhancing transparency are crucial for attracting FDI and ensuring sustained growth. Additionally, reducing dependence on Chinese investment and incorporating sustainability measures should be key priorities.

DISCUSSION

The study highlights notable economic disparities among high-, middle-, and low-income BRI nations through a comparative analysis of Singapore, Kazakhstan, and Pakistan. These differences illustrate the varying impacts of financial development, trade openness, FDI inflows, regulatory quality, and economic freedom on economic performance and investment appeal. This chapter examines the implications for economic integration, governance, and policy design within the BRI framework.

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Financial Development and Economic Growth

Financial development plays a crucial role in enhancing GDP per capita and fostering economic growth across all income groups. Singapore demonstrates that an advanced financial system facilitates resource mobilisation, improves capital accessibility, and reduces transaction costs, thereby sustaining economic growth and attracting investment (Lee et al., 2021). Its financial development index (0.7085) reflects a sophisticated banking sector and well-developed capital markets, consistently drawing FDI and integrating the economy into global trade networks. Kazakhstan, with a moderate financial development index (0.38), remains reliant on its resource sector, limiting financial inclusivity. While BRI investments have improved infrastructure, enhancing connectivity and trade, the country's dependence on natural resources exposes it to economic volatility (Karki & Pradhan, 2024). Pakistan, with the lowest financial development index (0.19605), faces structural barriers and limited participation in financial services, restricting its ability to attract and manage foreign investment. These constraints highlight the urgent need for comprehensive financial sector reforms to enhance economic resilience and investment capacity.

Trade Openness and FDI Inflows

The study underscores the significance of trade openness and FDI inflows as key drivers of economic growth, though their effects vary across income groups (Minh & Trinh, 2023). Singapore exhibits a high level of trade openness, equivalent to 362.69% of GDP, reflecting its integration into global supply chains and the effectiveness of its logistics and trade policies. The country's capacity to attract high-value FDI, averaging $24.82 billion annually, highlights the efficiency of its regulatory frameworks and economic freedom. Kazakhstan, with trade openness of 73.65% and annual FDI inflows of $8.15 billion, benefits from its strategic geographic position along the Silk Road Economic Belt. However, its reliance on resource exports constrains economic diversification and hinders sustainable growth (Rakshit, 2022). Pakistan, with trade openness at 33.39% and annual FDI inflows of $2.33 billion, remains significantly less integrated into the global economy. This underscores the need for Pakistan to diversify its economic base and reduce excessive dependence on infrastructure projects financed through foreign debt.

Governance and Economic Freedom

The disparities among the three countries highlight the pivotal role of regulatory quality and economic freedom in shaping investment attractiveness and economic growth. Singapore's near-perfect regulatory quality score of 99.2 percentile and high economic freedom score of 88.015 reflect a transparent governance system and an investor-friendly environment, which have consistently attracted global investment and sustained economic expansion (Yerrabati, 2021). Kazakhstan, with a regulatory quality

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score of 32.57 percentile and an economic freedom score of 62.44, demonstrates moderate progress but continues to grapple with systemic challenges, including corruption and weak property rights. Addressing these issues is crucial for diversifying investments and reducing dependence on natural resources. Pakistan, positioned at the lowest level of regulatory quality (21.39 percentile) and an economic freedom score of 54.34, faces severe governance challenges. Weak institutional frameworks, political instability, and bureaucratic inefficiencies hinder its capacity to effectively leverage BRI investments (Sutherland et al., 2020). Consequently, structural reforms aimed at enhancing transparency, strengthening regulatory frameworks, and fostering economic freedom are imperative.

Policy Implications

The study's findings highlight the necessity of tailored policy interventions to bridge economic disparities and maximise the benefits of the BRI. High-income countries, such as Singapore, should continue leveraging financial innovation and trade integration to maintain their global competitiveness. Middle-income nations, such as Kazakhstan, must prioritise governance reforms, infrastructure enhancement, and economic diversification to attract broader investment opportunities (Ooi et al., 2022). Low-income nations, such as Pakistan, require systemic reforms to address structural inefficiencies, enhance regulatory quality, and foster financial inclusion. Significant disparities exist among Singapore, Kazakhstan, and Pakistan in their ability to utilise the BRI to drive economic growth. Financial development, trade openness, and governance are crucial determinants of investment attractiveness and economic integration. Addressing these disparities through targeted policy interventions would enable the BRI to contribute to the inclusive and sustainable development of its member countries (Zeeshan, 2021). This study provides policymakers with a foundation for designing strategies that consider the distinct economic contexts and challenges of high-, middle-, and low-income nations.

CONCLUSION

This study has examined the critical role of financial development, trade openness, FDI inflows, regulatory quality, and economic freedom in shaping economic outcomes and investment attractiveness among BRI countries. Through a comparative analysis of Singapore, Kazakhstan, and Pakistan—representing high-, middle-, and low-income groups—significant disparities in economic performance and governance structures have been identified. As a high-income nation, Singapore exemplifies how advanced financial systems and robust regulatory frameworks drive sustained economic growth and global investment competitiveness. Its high per capita GDP, strong trade openness, and substantial FDI inflows underscore the effectiveness of policies that prioritise innovation, transparency, and integration into global markets. Kazakhstan, a middle-income country, benefits from its strategic position along the Silk Road Economic Belt

and moderate governance reforms. However, its dependence on natural resources and vulnerability to external shocks highlight the necessity for further economic diversification and institutional strengthening. Enhancing regulatory quality and fostering a more business-friendly environment are essential to unlocking Kazakhstan's full economic potential. Pakistan, as a low-income country, faces significant challenges related to regulatory quality, financial inclusion, and economic freedom. Large-scale infrastructure projects, such as the China-Pakistan Economic Corridor, underscore the urgent need for structural reforms aimed at improving governance, transparency, and sustainable investment strategies. The findings emphasise the necessity of tailored policy interventions that address the distinct challenges and opportunities of high-, middle-, and low-income nations within the BRI framework. Financial and governance reforms aligned with specific national contexts can enable BRI countries to achieve inclusive and sustainable economic growth. This study provides valuable insights for policymakers seeking to maximise the benefits of the BRI, enhance economic integration, and mitigate disparities among participating nations.

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APPENDIX

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Table 5: Overall Economic Indicators Data for Singapore (IMF 2024).

Year	Country	GDP per Capita (US$)	FDI Inflows (US$ Billion)	Trade Openness (% of GDP)	Financial Development Index	Regulatory Quality (percentile rank)	Economic Freedom Score
2003	Singapore	23530	9.85	377.22	0.646	98	88
2004	Singapore	26877	11.8	401.52	0.654	98	88
2005	Singapore	29936	14.74	420.43	0.661	100	88
2006	Singapore	33428	20	425.36	0.669	98	88.7
2007	Singapore	38127	24	394.29	0.675	98	87.4
2008	Singapore	39781	22	437.33	0.681	99	87.4
2009	Singapore	37100	20	358.19	0.687	98	87.1
2010	Singapore	46570	25	369.69	0.692	98	86.1
2011	Singapore	55050	30	379.1	0.697	97	87.2
2012	Singapore	55430	29	369.21	0.701	100	87.5
2013	Singapore	56740	28	367.04	0.705	100	88
2014	Singapore	57710	27	360.47	0.709	100	89.4
2015	Singapore	56960	25	329.47	0.712	100	89.4
2016	Singapore	57640	24	303.22	0.715	100	87.8
2017	Singapore	62150	26	317.03	0.718	100	88.6
2018	Singapore	65640	28	326.72	0.721	100	88.8
2019	Singapore	65230	30	323.07	0.724	100	89.4
2020	Singapore	60520	32	331.69	0.726	100	89.4
2021	Singapore	72760	34	329.79	0.728	100	89.7
2022	Singapore	82807.6	36	332.98	0.949	100	84.4

Table 6: Overall Economic Indicators Data for Kazakhstan

Year	Country	GDP per Capita (US$)	FDI Inflows (US$ Billion)	Trade Openness (% of GDP)	Financial Development Index	Regulatory Quality (percentile rank)	Economic Freedom Score
2003	Kazakhstan	2068.1	2.48	91.46	0.2	29.3	53.3
2004	Kazakhstan	2874.3	5.62	96.41	0.22	30.7	54.1
2005	Kazakhstan	3771.3	2.55	97.76	0.24	30.7	54.8
2006	Kazakhstan	5291.6	7.61	91.45	0.26	30.1	58.3
2007	Kazakhstan	6771.4	11.97	92.16	0.28	30.1	60.2
2008	Kazakhstan	8458	16.82	94.29	0.3	30.1	60.1
2009	Kazakhstan	7165.2	14.28	75.77	0.32	30.1	60.1
2010	Kazakhstan	9070.5	7.46	74.14	0.34	30.1	61.1
2011	Kazakhstan	11634	13.76	73.12	0.36	30.1	62.1
2012	Kazakhstan	12386.7	13.65	73.72	0.38	30.1	62.5
2013	Kazakhstan	13890.6	10.01	65.41	0.4	30.1	63
2014	Kazakhstan	12807.3	7.31	64.97	0.42	30.1	63.7
2015	Kazakhstan	10510.8	6.58	53.05	0.44	30.1	63.3
2016	Kazakhstan	7714.8	17.22	60.31	0.46	30.1	63.6
2017	Kazakhstan	9247.6	4.76	56.83	0.48	30.1	69
2018	Kazakhstan	9812.6	0.35	63.53	0.5	30.1	69.1
2019	Kazakhstan	9812.6	3.73	64.86	0.52	30.1	65.4

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Year	Country	GDP per Capita (US$)	FDI Inflows (US$ Billion)	Trade Openness (% of GDP)	Financial Development Index	Regulatory Quality (percentile rank)	Economic Freedom Score
2020	Kazakhstan	9121.6	7.21	57.03	0.54	30.1	69.6
2021	Kazakhstan	10373.8	4.57	58.67	0.56	56.3	71.1
2022	Kazakhstan	11492	5.07	68.11	0.38	52.8	64.4

Table 7: Overall Economic Indicators Data for Pakistan

Year	Country	GDP per Capita (US$)	FDI Inflows (US$ Billion)	Trade Openness (% of GDP)	Financial Development Index	Regulatory Quality (percentile rank)	Economic Freedom Score
2003	Pakistan	601	0.53	31.2	0.146	18.4	52.8
2004	Pakistan	714	1.12	34.5	0.154	16.5	53
2005	Pakistan	820	2.2	36.8	0.161	18.4	53.5
2006	Pakistan	908	4.27	38.1	0.169	22.3	54.2
2007	Pakistan	1002	5.59	37.5	0.175	22.3	55
2008	Pakistan	1045	5.44	38	0.181	22.3	55.2
2009	Pakistan	1019	3.72	34.2	0.187	22.3	55
2010	Pakistan	1083	2.02	35	0.192	22.3	55.2
2011	Pakistan	1279	1.63	36.5	0.197	22.3	55.1
2012	Pakistan	1299	0.86	34	0.201	22.3	55.1
2013	Pakistan	1312	1.33	33	0.205	22.3	55.7
2014	Pakistan	1334	1.87	32.5	0.209	22.3	55.6
2015	Pakistan	1378	0.99	31	0.212	22.3	55.6
2016	Pakistan	1462	2.53	30.5	0.215	22.3	55.9
2017	Pakistan	1563	2.78	31	0.218	22.3	55.2
2018	Pakistan	1482	1.74	30	0.221	22.3	54.4
2019	Pakistan	1361	2.23	29.5	0.224	22.3	55
2020	Pakistan	1194	2.06	28.5	0.226	22.3	54.8
2021	Pakistan	1505	2.15	33	0.228	19.8	51.7
2022	Pakistan	1658	1.46	33.04	0.2	20.3	48.8