

Impact of foreign direct investment, aid, and export on the economic growth of South Asian countries

STUDENT ID =01-220182-026

Abstract:

Foreign variables play an important part in any country's socioeconomic development, especially in developing and underdeveloped nations, key elements which including foreign investment, foreign aid, and export of products and services are given top importance. The goal of this research is to see how factors like foreign direct investment, international aid, exports, and economic growth affect South Asian nations including Pakistan, India, Bangladesh, and Sri Lanka. We used secondary time-series data from 2001 to 2019 to investigate the influence of foreign aid, exports, and FDI in south Asian nations using a linear method for this study. For the study, data on the World Bank's global development index was gathered (WDI). Correlation, coefficient, and regression analysis are used to examine the relationship between the dependent variable, economic growth (GDP), and the independent factors (FDI, foreign aid and export of goods and services). The results of the trials show that FDI , export, aid, and GDP all have a positive and statistically significant relationship. Based on the conclusions of this study, the article suggests that Pakistan, India, Bangladesh, and Sri Lanka discover effective solutions to maintain high economic growth rates and seek innovative ways of attracting FDI inflows, government development funding, and increase product and service exports.

KEYWORDS: Foreign direct investment (FDI), Gross domestic product (GDP), foreign aid, export of goods and services.

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CHAPTER 1:

Introduction

Among the topics covered in this chapter are the study's origins, objectives, and research questions. In addition to summarising the results, this part lays forth the overall structure of the dissertation's material.

Background:

The explosion of FDI, or foreign direct investment, was one of the trademarks of liberalization in the 1990s. Increased productivity comes from FDI, which brings in new money, cutting-edge technology, management know-how, and export markets. Developing nations increasingly rely on the market and the private sector to fuel their economies because of a lack of resources and investment. Neoclassical growth theory relies heavily on foreign direct investment (FDI), increasing investment and improving efficiency. FDI. Increasing foreign direct investment is an upmost priority for all governments, especially for developing and emerging markets (FDI). Foreign direct investment (FDI) can help countries address their balance of payments problems while also boosting economic development. Because of the financial advantages and relevance of FDI in supporting economic growth, most nations have made significant modifications to existing national policies to encourage FDI.

International commerce and the expansion of human capital are two of the most important reasons for FDI's favourable influence on national well-being. In developing nations, foreign direct investment (FDI) enhances GDP by raising investment in the host country and increasing productivity through technical and managerial spillover. As a result of the influx of FDI into China and East/Southeast Asian countries in the 1980s and 1990s, these countries' macroeconomic conditions, investment, exports, and employment proliferated. Once derided by the government, private capital is regarded mainly as a source of investment and economic advancement throughout South Asia.

Like other fast-growing economies, South Asian governments offer advantages to foreign investors exclusively. Trade liberalization and increasing competition for foreign investment have resulted in fewer restrictions on foreign investment during the past two decades.

On the other side, there has been a shortage of international investment in South Asia (FDI). China, Brazil, Singapore, and other East/Southeast Asian countries get far more foreign direct investment (FDI) than this group of nations. FDI in South Asia has been the lowest of any rising Asian country (3 per cent of total FDI in developing Asia). The countries of South Asia have received little attention and FDI (FDI). To be practical, governments must recognize the relevance of technological advances, improved industrial capacity, and more global supply chain integration for South Asian economic reform. With MNCs' help, these projects may succeed (MNCs). One of the most appealing aspects of investing in South Asian countries is the country's robust and stable economy. These advantages have driven South Asian governments to use a variety of measures and incentives to encourage foreign investment, including the expansion of the entrepreneurial class and the recruitment and training of highly trained people. Many have been written about FDI (foreign direct investment) in recent months. According to critics of foreign direct investment (FDI), multinational corporations typically take over resources, displacing local businesses, bringing in unsuitable technology, and causing balance-of-payments challenges by sending considerable remittances back to their home countries.

In order to prosper, developing nations rely on FDI, ODA, and remittances sent back home (Alfieri and Havinga, 2006). We are highly concerned about foreign direct investment (FDI) and remittances. Financial and technological know-how are examples of FDI. The United Nations Conference on Trade and Development (UNCTAD) says that foreign direct investment (FDI) as a financing in which a native entity of one country has a long-term stake and control over a business based elsewhere (UNCTAD, 2007). Foreign direct investment (FDI) flows expanded dramatically during the years 1980s, from US\$53 billion to more than US\$1.4 trillion in 2010. Following statistics published by the World Bank in 2013. Investing in developing nations by multinational businesses (MNEs) results in decreased production and labour costs and higher profitability. Foreign Direct Investment (FDI) poured into developing countries between 1996 and 2011, according to the Asian Development Bank and the World Bank (Figure 1). In 2013, more than 60% of all FDI departed for developing nations. The United Nations Conference on Trade and Development (UNCTAD, 2013).

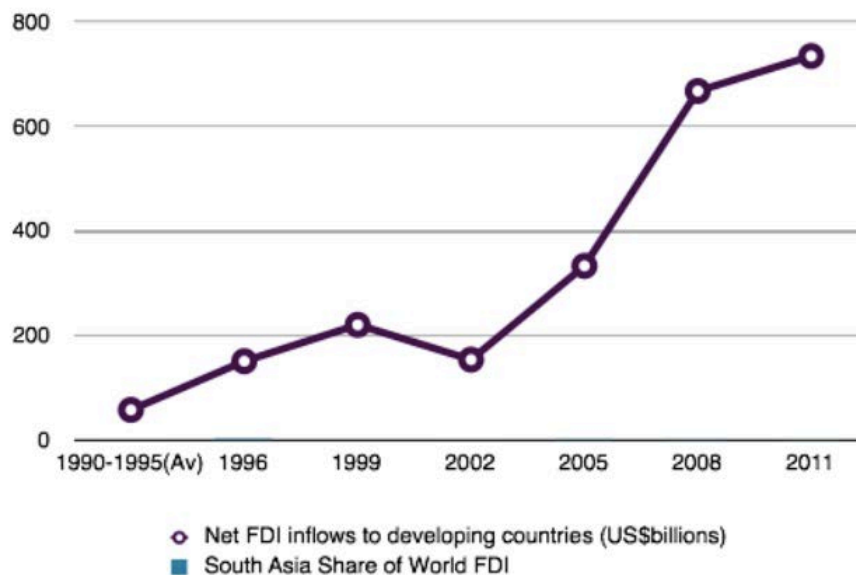


Figure 1: A study of foreign direct investment (FDI) into developing nations and the region's contribution of total global FDI from 1990 to 2011

Source: Data from ADB (2006) and Sahoo (2006)

Foreign direct investment (FDI) has risen in several developing countries since the 1980s (FDI). Foreign direct investment (FDI) is traditionally been recognised as a crucial economic contributor since it is a large source of foreign cash. Another advantage is that it may increase the money invested locally. As a result of this commonly held belief, several governments have changed their rules to make it easier for foreign investors to come into their countries. In the 1980s and 1990s, China and Southeast Asia's rapid economic growth depended on foreign direct investment (FDI). They had a restricted policy framework when they became independent, but it has been revised in the last two or three decades to make it more enticing to foreign investors. In order to achieve self-sufficiency so early on, industrialization tactics based on import substitution were pushed hard by the government. There was just a tiny increase in the economy of these countries. Countries in South Asia have followed the lead of Southeast Asians in implementing market-based economic reforms.

In terms of remittances, South Asia comes in second. For 2010, India received \$55.0 billion, Bangladesh \$11.1 billion, Pakistan \$9.4 billion, and Sri Lanka \$3.6 billion as the top receivers (World Bank, 2011). For the first time, South Asia's FDI and ODA inflows surpassed those of the rest of the world in 2009, increasing by a factor of ten and nearly tripling. Investors

worldwide are drawn to South Asian countries because of their increasing entrepreneurial classes and skilled workforces. This list also includes countries with large domestic markets and low inflation rates (Sahoo, 2006). Countries in South Asia have become more attractive to investors due to the present economic climate. FDI inflows must be understood in order for these nations to prosper economically.

Country	Remittances	FDI	ODA
Bangladesh	12.1	1.2	1.5
India	63.8	32.2	3.2
Pakistan	12.3	1.3	3.5
Sri Lanka	5.2	0.9	0.6
Total	93.4	35.6	8.8

Figure 2: 2011, in terms of billions of dollars: remittances, ODA, and FDI in South Asia.

Source: World Bank Indicators (2012)

There have been a fivefold rise in foreign direct investment (FDI) inflows during the previous two decades (USD 341 billion in 1995 to USD 1.76 trillion in 2015). Development countries have seen steady growth in foreign direct investment, whereas wealthier nations have declined (2014). Over eighty-two per cent of the world's population lived in industrialized nations in 2000; just seventeen per cent lived in developing countries. In 2014, 55% of the world's population was from developing countries, while 40% was from developed ones. According to the International Monetary Fund, Development nations got 43% of global FDI inflows in 2015. Inflows of foreign direct investment (FDI) rose by an average of 6.2% every year between 2010 and 2015. Development nations received 4.2 per cent more FDI than wealthy countries during the same period, with the latter receiving 13.2 per cent more. Over 60% of FDI flows into developing nations originate in Asia. One of Asia's biggest recipients of foreign direct investment was Southeast Asia. Since 2011, South Asian nations' populations have varied by 8–

10 per cent. This time saw an average annual growth rate of 9.5% in South Asian nations' foreign direct investment (FDI) (World Investment Report 2016).

India is the region's most populated country and its most significant recipient of FDI. 75-87 per cent of all FDI into South Asia goes to just one country. Bangladesh and Sri Lanka are two of South Asia's most important investment destinations. As far as nations, Afghanistan, Bhutan, Nepal, and Pakistan make up the rest of the planet (individual share less than one per cent). Five years ago, FDI inflow into India increased by an average of 13%. Bangladesh's economy grew by 21% over that period, while the Maldives grew by 19%.

FDI inflows contributed for 1.7 per cent of global GDP in 2014, with developing nations accounting for 2.6 per cent of the total and industrialized countries responsible for 1.1 per cent. FDI inflows to South Asian nations accounted for 1.4% of GDP. In 2014, the Maldives had a 12.2 per cent stake, followed by Sri Lanka with 1.3 per cent and India with 1.7 per cent. Only 180.6 USD per capita is invested worldwide, whereas 129.2 USD per capita is invested in developing nations and 474.4 USD in prosperous countries. Indians gained an average of USD 27.2 in FDI per capita in 2014, compared to the average of South Asian countries of 23.2 in 2014. The Maldives received South Asia's most foreign direct investment per capita, putting Sri Lanka in second place (44 USD). More than one in ten of the Maldives' total goods trade in 2014 was funded by foreign direct investment. Comparable percentages were 6.9% overall, 8.9% for developing nations, 9.8% for developed countries, 8.6% for South Asia, and 10.7% for India. Foreign direct investment (FDI) accounted for more than half of all fixed capital between 2010 and 2014. Globally, developing and developed nations have an 8–9% overlap. Between 4% and 5% of people in South Asia and India were diagnosed.

Economic growth may be measured in several ways, including by comparing the present period to the preceding period or this year's results to those of the previous year. It shows the growth rate, no matter how quick or slow it is. Successful and challenging economic growth may be found in many developed and emerging nations (Chirwa&Odhiambo, 2016). It is possible to estimate future GDP growth rates to forecast its size (Nguyen, 2019). The absolute quantity of growth and the average yearly growth rate over some time can be used to measure economic growth (in GDP terms). The term "economic growth" has a variety of meanings. Investopedia (2020) defines it as a growth in the number of products and services produced over a specific period. Real or nominal dollars can be used in the computation, depending on how it has been

done. GNP and GDP have been used to gauge total economic growth in the past, but alternative measurements are becoming increasingly common. As defined by Economics Online, at least two-quarters of real national income growth is required to qualify as economic growth.

The Intelligent Economist may describe economic growth as a rise in the market value of goods and services over time (2020). How much money does the U.S. economy generate? According to The Investopedia, GDP measures how much a country is finished goods and services are worth in money or market value (2020). According to The Economic Times, Gdp is the total worth of all the products and services produced in a nation in a given period, often a year (2020). You can tell if a country is doing well economically by looking at GDP growth. An increase or decrease in a country's gross domestic product (GDP) at some point in time can be expressed as a percentage or as an absolute figure.

Economic advancement has been driven by human capital, natural resources, and scientific and technological resources throughout history. However, government policy is another matter. People must be lifted out of poverty, income inequality must be addressed, and the environment must be safeguarded to encourage economic progress. The economic growth model can be implemented to ensure that economic growth occurs predictably throughout time. Increased availability of capital, labour and natural resources characterizes economic expansion. This, in turn, leads to increased output. The intense growth paradigm relies on economic development that takes advantage of cutting-edge scientific and technological discoveries while also benefiting society. How many variables are at play simultaneously while determining economic growth? All of these elements, whether in developed or developing countries' theoretical frameworks and empirical evidence frameworks, play a part in expanding the global economy. We cannot foresee the outcome of a country's coordination of these four components. Money is seen as the essential aspect when it comes to long-term growth. Poverty-induced low savings, poor investment, and diminished growth and income in poorer countries are challenging to break.

Developing countries' economic growth needs international remittances and foreign direct investment (FDI). Understanding their contribution to the growth and whether they are important causes is limited, in any case. Several studies have examined remittances and foreign direct investment (FDI) independently. South Asia's economy is our primary concern rather than focusing on a single issue. We were able to include a far more comprehensive range of factors in

our study. For instance, While researching this issue, Benmamoun and Lehnert (2013) considered FDI, remittances, ODA, accessibility, democracies, government, rising prices, population increase, and starting GDP per capita. There were other considerations as well. Economic growth is influenced by various variables, many of which have been studied in depth. A country's GDP per capita at the outset and increase in the population, private credit, and the production of gross fixed capital are all factors that contribute to FDI and remittances (GCFC). This concludes our look at South Asian countries, and we compare Sri Lanka to the following four: (often not included). Most of the focus and FDI in South Asia goes to India, although few others. This research is critical due to the low cost of doing business in the region and the abundance of available resources.

Moreover, a third of the world's population lives in South Asia, including 500 million impoverished people (Gordon, 2011). People throughout the world are affected by poverty and political unrest. Due to the rising tensions globally, the South Asian Association for Regional Cooperation (SAARC) is having a tough time serving as a forum for humanitarian aid. The resources that South Asia has to offer may be immense if its issues could be handled. According to the World Bank, these are the most populous economies in South Asia (2012). Being SAARC members have refocused their tactics to promote the member countries' economy and attract foreign direct investment (FDI)(Rahman, 2009).

Country	GDP (Current US\$)
India	1.842 trillion
Pakistan	225.1 billion
Bangladesh	116.4 billion
Sri Lanka	59.42 billion
Afghanistan	20.50 billion
Nepal	18.96 billion
Maldives	2.222 billion
Bhutan	1.780 billion

Figure 3: In 2012, South Asia's GDP per capita in current U.S. dollars.

Source: World Bank Indicators (2012).

Problem statement:

The influence of FDI, assistance, and exports on the economic development of Vietnam is estimated using a time series of data covering 1997 to 2018. Regression and correlation analysis are early attempts to discover foreign effects on Vietnamese economic growth. As a way to have a big impact on research, the author aims to provide empirical evidence about the effects of FDI, assistance, and export on Vietnamese economic growth. Achieve this aim with this research project. Several policy recommendations are made in this report to help Vietnam attract more foreign direct investment (FDI), make better use of aid, and promote exports in a more effective manner.

Research questions:

1. Has FDI positively impacted economic growth in these countries?
2. Have Remittances positively impacted economic growth in these countries?
3. Does the growth of South Asian economies depend more on remittances from abroad or on foreign direct investment?
4. Which South Asian country's economic growth has been boosted the most by FDI or remittances?

Research objectives:

- This article will utilize 2001-2019 data to examine the relationship between economic progress in South Asian countries and FDI, aid, and exports.
- To examine the impact of FDI on the economic growth of South Asian countries.
- To examine the impact of Remittances on the economic growth of South Asian countries.

Findings:

As a result, foreign direct investment (FDI) is South Asia's principal source of growth. Because FDI has a beneficial influence on South Asian GDP, remittances do not outpace FDI in this area. Remittances have helped Sri Lanka's GDP the most.

Structure:

The structure of this document is outlined in the following paragraphs. The investigation's results and methods are described in Sections 2 and 3. Detailed summaries and explanations of the findings are provided in Section 4. Conclusions and recommendations for the future are presented in Sections 5 and 6, respectively.

Significance:

This article will utilize 2001 data to examine the relationship between economic progress in South Asian countries and FDI, aid, and exports. This is the author's first attempt at separating foreign influences on South Asian countries economic growth via regression and correlation analysis. Foreign direct investment (FDI), international aid, and South Asian countries exports play an essential role in the research process. New research that considers the multiple aspects that drive South Asian countries' economic growth suggests several policy adjustments to boost FDI, aid effectiveness, and export marketing. A time series of data from 2001 to 2019 was used in this study to assess the influence of FDI, assistance, and exports on South Asian countries' economic development. Regression and correlation analysis are being used for the first time by the author to disentangle the effects of external factors on South Asian countries economic growth. The authors' empirical research on how FDI, assistance, and export contribute to economic growth in South Asian countries serves this aim. Some of the policy recommendations in this report targeted at stimulating economic growth in South Asian countries include increasing FDI inflows, improving the efficiency with which aid is used, and promoting exports. This research aims to look at the influence of foreign direct investment (FDI), assistance, and exports on the economic growth of South Asian countries from 2001 to 2019. The author's method is presented for the first time in research on the effect of external influences on economic growth in South Asian countries using regression and correlation analysis. There are many theories on how foreign direct investment (FDI), foreign aid, and exports affect South Asian countries economic growth. However, the author wants to contribute by giving actual data. According to the importance of economic growth determinants, this paper proposes several policies to help enhance FDI inflows, aid utilization, and export promotion in South Asian countries.

CHAPTER 2:

Literature review

South Asian nations liberalized in the 1990s, and several of them opened up their economies to foreign investment after that. Foreign direct investment (FDI) has risen as a consequence, although the impact on economic development is still unclear at this point. As a result, FDI studies in these nations are receiving more attention from academics and policymakers. This research examines the impact of foreign direct investment (FDI) and other variables on South Asian economies.

However, the effect of FDI on economic growth is still up for discussion. FDI There are two schools of thought on the economic impact of FDI. Popular thinking holds that FDI benefits economies because it offers investment funds and encourages knowledge transfer. While FDI is beneficial to economic growth, the dependency hypothesis contends that it is negative. According to this theory, foreign direct investment can lead to monopolies, which diminishes the multiplier effect since it keeps domestic resources from being fully utilized. A rise in foreign direct investment (FDI) may positively affect a country.

According to research, transferring technology and spreading efficiency may increase a company's economic performance (e.g., Borensztein et al., 1998). Local firms benefit from FDI's spillover efficiency when physical and intangible assets are available to the domestic market. Others (Bloomstorm&Kokko, 2003) show that FDI entrance does not invariably spill foreign technology and skills to local industry. On the other hand, If the local economy can absorb these spillover benefits, they can be realized.

Griffin's (1970) and Singer's (1980) research have shown that impoverished nations' economic growth may be negatively affected by FDI. While overseas investment affects Pakistan's economy, domestic investment improves it. According to Saqib et al., A 35-year analysis by Herzer (2012) concluded that foreign direct investment (FDI) has a detrimental influence on the economy of emerging countries. According to him, governments may prevent the adverse effects of FDI and favour FDI-led growth by eliminating market inefficiencies, reducing the country's dependency on natural resources, and improving long-term economic and

political stability. In second research from the University of Michigan, foreign direct investment (FDI) offers both immediate and long-term advantages for a country's economy.

Although Ingham and colleagues (2020) focus on FDI sectoral composition, they acknowledge the influence of foreign direct investment on Egypt's many economic sectors. According to the study, the growth of an economy is strongly influenced by the placement of FDI. Evidence shows that FDI into the Egyptian service sector (e.g., retail banking, mobile phone services, and the like) has harmed Egypt's economic growth. For Khan & Khan, the sectoral distribution of foreign direct investment in Pakistan has been critical (2011). Nevertheless, only primary and service industry growth has been correlated with increased FDI in China's manufacturing sector. Foreign direct investment (FDI) in Nepal's economy was determined to be beneficial, but this did not hold elsewhere. Foreign direct investment (FDI), according to the research, should be prioritized above local demand-oriented FDI in order to increase economic growth.

Research suggests that foreign direct investment (FDI) has little impact on economic growth. As Lund (2010) revealed, the growth-enhancing effects of foreign direct investment (FDI) have been overstated in various research. He added that a certain level of development is required to reap the full benefits of foreign direct investment. Uwubanmwun and Ajao (2012) said that FDI had no substantial impact on Nigeria's growth and development. However, they considered that trade openness and macroeconomic stability considerably influenced its development. Lean (2008) found no long-term correlation between FDI and GDP growth in the manufacturing sector. According to Asheghian, research shows that domestic investment and total factor productivity are the most critical drivers of economic development rather than FDI (2011). According to Blomstrom et al. (1994) and Blomstrom and Kokko (1995), Foreign direct investment (FDI) is beneficial to countries with educated workforces,

As a result, no one can recognize the significance of FDI in promoting economic growth, as the study demonstrates. As a result, the amount of foreign direct investment (FDI) may have an influence on economic growth. Foreign direct investment (FDI) in manufacturing may have a greater influence than in the service sector. When developing a growth plan, consider both the industry mix of FDI and the actual effect of FDI. It is vital to examine FDI in numerous forms, including sectoral FDI, to properly comprehend the impact of foreign direct investment (in the primary, secondary, and tertiary sectors). Analysis of Foreign Direct Investment To fill up this

information gap, this study looked at how the composition of FDI (the sectoral destination) influences economic growth in a small number of South Asian countries.

Both Burnside & Dollar focused on international aid, economic strategy, and the rise in the per-capita gross domestic product (2000). The World Bank's Debt Reporting System was a significant source of information for this study's authors. Six four-year periods of growth in 56 developing countries were used to calculate the quality of economic policy and aid and interaction terms. Monetarists used to trade and inflation as gauges of their success. In total, Changing the index has a negligible impact on prudent economic policy. According to his results, foreign aid and economic development cannot be explained only by economic policy. As he moved into the second half of his inquiry, foreign aid was a topic of discussion for Easterly (2003).

Using Solow-style and endogenous growth models, it was shown that real-world applications of these models fail. Neoclassical theories In this opinion, aid from the international community may have helped the economy thrive. Investing in just six of the 88 countries that received help had a non-significant association with aid (the years covered by the data are 1965-1995). Only four countries showed a correlation between investment and economic development. Consequently, he disproved a commonly held idea that foreign aid promotes economic growth. Studying the influence of foreign direct investment (FDI), foreign assistance (F.A.), and remittances on economic growth in 53 African nations and 34 Latin American countries and the Caribbean used a dynamic geographic framework (Nwaogu&Ryan, 2015).

All three sources of foreign growth finance and currency gains are accounted for in this analysis using a dynamic geographic model, removing any bias from missing data or connectedness across nations. Previous studies did not consider all three external effects concurrently while analyzing economic growth in developing economies. The interconnectivity of countries on a global scale has been overlooked in previous research. Because of international commerce and migration, a country's economic progress has a ripple effect worldwide. While current economic growth in one country is affected by current aspects of its economy, it is also affected by the growth of its neighbours and the growth of the global economy. This is shown by dynamic spatial-lag models, linear regression incorporating serially lagged dependent variables and a spatially lagged dependent model. A wide range of people participated in the study

between 1970 and 2009. ' Reducing the cyclical effects is attainable through the average five-year data collection period.

There were 53 African countries and 34 LAC countries that were analyzed independently, according to the findings. Dissimilarities in physical qualities and economic growth routes make it impossible to mix foreign aid and FDI from both continents. The independent factors investigated in this study included FDI, international aid, remittances, GCF, CPI, telephone lines, openness, education, government consumption, and political right. In the results, Africa and Latin America/Caribbean were divided into two distinct groupings. The definition of the model and the growth of Africa's economy go hand in hand. Although aid and FDI rose dramatically, remittances were not included in the analysis to prevent omitted-variable bias. When all three factors were taken into account, the most positive and meaningful impact on GDP was caused by delays in FDI. Due to the prevalence of informal delivery methods, such as family and friends.

Non-official financial markets play a vital role in Africa's economy because of the absence of legitimate financial markets. Foreign aid was the only external finance source that significantly impacted Latin American and Caribbean economic growth. Foreign aid harms the economy of emerging countries. Because of the status of the economy, foreign aid helps corrupt and unequal governments thrive. When the three components are integrated, more overall capital input does not affect the growth of the LAC. Whether or not remittances from overseas are better than inbound FDI and foreign aid for promoting economic growth has been argued for years. To study the growth rates in low and middle-income countries, the SystemGeneralized Method of Moments was utilized (GMM). Overestimated the benefits of overseas remittances since the economic impact of individual transfer payments cannot be quantified in any way. Remittances have risen steadily in recent years. Remittances sparked this interest in low- and middle-income countries.

Foreign direct investment (FDI) and foreign remittances have focused on previous research (FDI). According to this study, FDI, aid, and overseas remittances impact developing countries' economic development. The following are your search results: A 16-year sample of data from 180 countries was examined between 1990 and 2006. In this study, economic openness and population growth are dependent variables, whereas foreign aid and remittances are independent variables. As a result, countries were ranked according to their revenue, debt, and

dependency on foreign direct investment. A country is considered low-income if its GDP per capita is less than US\$975 annually. The middle-income group includes all countries with GDP per capita ranging from USD 976 to USD 11,905. Foreign direct investment (FDI), assistance and remittances from inhabitants of low-income countries may all contribute to economic growth. Middle-income countries no longer rely on foreign help as they used to. The coefficient values from three different outside funding sources were compared. According to this research, only remittances and foreign aid significantly impact a country's economic well-being.

Foreign investment:

Over the past few decades, many studies have been unable to conclusively answer whether foreign direct investment (FDI) and economic growth are linked positively or negatively. Numerous studies have revealed a well built link among the two. Through foreign direct investment, an expansion of human capital and a migration of technological know-how might improve economic growth (FDI). Foreign direct investment (FDI) may have a negative influence on a country's capacity to pay its obligations. The collective production function theory has dominated research on the impact of foreign direct investment (FDI) on government revenue and productivity variables such as capital and labour over the past few decades (Nowbutsing, 2009). Solow's work (1956, 1957) had a big effect on this Neoclassical perspective. If manufacturing and capital per worker remain constant, economic development can be steady (Boianovsky & Hoover, 2009). Solow's increased capital development increased workplace productivity (1956). Even though the notion did not explain why technological advancement is necessary for long-term economic growth (Djurovic, 2012), since the marginal productivity of capital drops as the number of employees increases, savings and investment cannot keep pace with rising earnings per capita (Boianovsky & Hoover, 2009).

There is no long-term impact on production from foreign direct investment since people are given more capital goods but do not create new uses for the capital they are given. Foreign direct investment (FDI) (Aghion & Howitt, 1997).¹¹ To replace the exogenous theory of Solow, a new growth model was developed based on technological innovation (Solow, 1956). Export growth is influenced by foreign direct investment (FDI) over the long run. Long-term growth is achievable even though capital and labour are constantly changing, as evidenced by capital's marginal product (A). According to Lucas (1998) & Rebelo (1991), cutting-edge technical

advances reward investors with more significant than average returns (Djurovic, 2012). Foreign direct investment (FDI) improves economic growth by improving receiving countries' human and intellectual capital, in line with the Romer model (1990). However, this association does not hold for certain countries since it depends on their visiting climate. Countries with open trade policies and significant exports would attract more FDI (OECD, 2002). Contrary to popular belief, the dependence hypothesis holds that a country's over-reliance on FDI harms economic development and income distribution (Adhikary, 2011).

According to Amin (1974), economies under foreign control grow unorganized rather than organic for various reasons. For example, foreign direct investment (FDI) may negatively influence employment, income distribution, and a country's ability to govern itself (Musila&Sigue, 2006). Foreign enterprises' cash, technology, networks, management, and marketing advantages may push many local businesses to close their doors (Marksun&Venables, 1997). If earnings and cash from foreign direct investment (FDI) are repatriated, the financial stability of a country may be at risk. In the view of the dependency argument, foreign investment harms growth. Experimental research based on many theoretical frameworks has examined the link.

FDI has positive effects on employment and earnings, according to UNCTAD (2003), which performed investment policy evaluations. In general, foreign direct investment (FDI) has a beneficial effect on economic growth; however, this varies per nation. International investment (FDI) has the potential to increase economic growth, according to the "endogenous development" idea, because it provides cash and transfers technology (Zenasni & Benhabib, 2013; Borensztein et al., 1998; Aurangzeb & UIHaq, 2012). Alternatively, in another way, foreign direct investment (FDI) in the host economy increases labour & capital productivity. A statistically significant relationship exists between FDI and economic development in thirty-two emerging economies, including India, Pakistan, and Morocco (Lan, 2000; Mottaleb, 2007; Hansen & Rand, 2006). In the near term, FDI and economic growth have a continuous causal link, whereas exports and investment give long-term benefits to the economy (Ahmad et al., 2012; Andraz & Rodrigues, 2010). Foreign direct investment (FDI) has proved favourable to economic growth and value added (Asheghian, 2004; Roy & Van der Berg, 2006). A variety of factors determine the effect of Fdi on economic growth, and these factors differ significantly between nations. Employees with higher degrees, according to Borensztein and colleagues, can

readily interact with consumers (1998). Import substitution policies are no longer sufficient for the full benefits of foreign direct investment, as more and more research. One strategy to reduce a country's reliance on international commerce is to increase domestic manufacturing in place of imported items. Petroleum, a formerly imported item, is now supplied domestically. Promoting the economic independence of emerging countries was all the rage in the 1950s and 1960s (Bruton, 1997). Later that decade, import substitution was replaced by export-led policy to encourage economic growth. Exporting raw materials and commodities is one of the ways it plans to hasten the pace of growth. Technology and knowledge spillovers are projected to help countries rely on exports for economic growth (Palley, 2011). They argued that you need an export-led strategy to develop rapidly if you lack sufficient food or natural resources. Factors including human capital, infrastructure, financial development, institutional quality, and economic development all have a role in how well FDI affects economic growth in the host country (Kotrajaras, 2010; Blomstrom et al., 1992; Durham, 2004; Solomon, 2011).

Research suggests HCFs have minimal impact on economic growth from foreign direct investment (FDI). There is a link between FDI and economic growth mediated by human capital, financial development, GDP per capita, and openness to international commerce (2005). Both FDI and interaction factors were included in all 14 FDI and all 14 HCF specifications; however, researchers determined none were significant. FDI and economic growth have been shown to have a negative association in other research. Over a dozen countries worldwide took part in the research (Rizvi&Nishat, 2009; Falki, 2009; Carkovic&Levine, 2002). They found, however, that FDI had no effect on economic growth and did not directly produce jobs in any nation. Using Ordinary Least Squares Regression, Bornschier et al. (1978) found that in 76 developing countries, FDI had a negative relationship with GDP that was stronger as income levels climbed (OLS). Foreign direct investment (FDI) on economic growth should be cautioned. Many studies have relied on statistics on FDI capital flows worldwide (stated in the balance of payments). According to Borenstein et al., this might lead to overstated FDI coefficients (p.134). This article suggests that domestic debt or equity issuance might help fund investment. Due to the prevalence of using the total of FDI flows as a proxy for FDI, research tends to overestimate FDI. Tax incentives for domestic investors who claim to be foreign ones might reduce the amount of FDI reported in statistics through a technique called "round-tripping" (Re-define, 2013).

Positive impacts

There are several ways in which foreign direct investment (FDI) may be used to increase the current stock of the economy, including managerial practices, skill development training, and organizational structure. Both analyses suggest that foreign direct investment (FDI) contributes to economic growth in emerging nations. Blomstrom Panel estimates show that foreign direct investment (FDI) has a considerable and favourable influence on the economy of recipient nations (1996). The ability to conduct business with foreign countries is one of the main advantages of FDI for developing countries. In Unciad (1999), FDI has positive and negative effects on economic growth depending on the variables included in the estimation equations. Factors such as political instability, the black market, and GDP investment all have a role. Foreign direct investment (FDI) can have different effects depending on the degree of human capital in the nations receiving it (Borensztern, Gregio J, & S. Lee, 1998). This research looked at a country's ability to assimilate foreign technologies using its human capital density. Human capital was a crucial determinant in deciding the quantity of FDI entering recipient nations. This concept was born out of his research. Amna et al. (2010) used time-series data from 1981 to 2010 to examine how FDI and inflation affect Pakistan's economic growth. A multi-regression technique was used to build the model. While rising prices significantly impacted inflation, foreign direct investment positively impacted economic growth (FDI). According to MamounBenmamoun and Kevin Lehnert (2013), panel data from 1990-2006 was used to examine the economic growth effects of foreign direct investment (FDI), worker remittances, and international development assistance (ODA). System generalized approach methods have demonstrated that FDI, remittances, and ODA contribute significantly to developing nations' economic growth (ODA). More effect on economic growth was revealed to be exerted by worker remittances than FDI and ODA According to Chris Jones and Nigel Driffield, foreign direct investment (FDI) and official development assistance (ODA) can increase economic growth in developing nations (2013). The endogeneity of the system was examined using a systematic technique. There was a focus on the impact of institutional growth on other sources and the relevance of these expansions. They found that the total inflows of foreign money had a positive and significant impact on growth when institutions were taken into account. According to Lahdhiri& Amine, foreign direct investment and international development aid positively impact economic growth in developing countries (2012).

Negative impacts

According to Durham, FDI has minimal impact on economic growth in developing nations (2004). According to his findings, the ability of a country to take in new technology affects FDI. According to Ali Sharafat, Pakistan's economic development has been badly impacted by FDI and inflation (2014). A country's short-term economic development has been linked to FDI, service sector debt, inflation, and literacy rates. His forecasts were based on a mix of the Johansen approach and Granger causality. An example of this notion may be found in Bende–Nebene A's work (2003).

Santoso, B., & S. Sen conducted this research (2003). FDI has had a significant and positive influence on emerging nations like Thailand and the Philippines. On the other hand, Taiwan and Japan feel the brunt of the fallout. In countries that allow foreign direct investment, this does not apply (FDI). In turn, this has a negative influence on GDP growth. The vulnerable economic situations hampered the results in the nations that received help.

When data from 67 developing countries in Asia, Africa, and Latin America was merged, financial powerhouses were adversely affected by FDI. FDI has a negative influence on the growth of recipient nations utilizing cross-country data from 1960 to 1995 and a generalized approach technique for calculations. According to this study, foreign direct investment (FDI) has no positive effect on GDP. It is too early to tell what impact this will have on the economy. There has been a great deal of investigation into the economic impact of FDI. According to the results, depending on the political and economic circumstances of the nations that received aid, the criteria used to assess the effect had both good and negative consequences.

FDI Policy in India:

Evolution of the FDI policy in India:

The foreign investment policy of the Indian government has evolved throughout time: Government policy on foreign direct investment (FDI) has seen significant changes since 1948. Because of its paucity of resources, including financial ones, India has always welcomed the international investment. Throughout the 1957-58 foreign exchange crisis, the government's stance on foreign investment was further liberalized (See Kumar, 2003 for details). In the 1960s, foreign direct investment (FDI) from outside the nation was limited (FDI). Following 1973's

approval of the Foreign Exchange Regulation Act (FERA), foreign firms operating in India must be registered in India with up to 40% Indian ownership. Foreign direct investment (FDI) policy liberalization was undertaken in the United States in the 1980s as part of a broader shift toward a more market-oriented economy. In 1991, when India's new economic and industrial policy was implemented, it required much effort to make the FDI climate more hospitable. As a result, India boasts one of the region's most favourable regimes for foreign direct investment.

FDI policy framework and incentives for FDI in India:

India's investment climate has improved in the first and second rounds of reforms. There are frequent updates from the Secretariat for Industrial Assistance and the Department of Industrial Policy and Promotion on FDI policies and equitable limits (DIPP). The Foreign Exchange Management Act required the Reserve Bank of India (RBI) publishes its FDI policy (FEMA). Some firms can have additional restrictions on FDI that do not apply to the Automatic Approval Route. Sectoral restraints, security concerns, and worries about local investment led to the imposition of restrictions. FDI is not permitted in several industries due to government restrictions.

Industrial Licensing:

It has also modified the rules and procedures for seeking a business licence. Exceptions to this rule include small commodity producers and planned manufacturing plants with regional restrictions. This regulation does not apply to commercial organizations required to get a licence to conduct business.

Evolution of FDI policy in Pakistan:

Pakistan announced an industrial plan in 1984, which was the first step toward liberalizing foreign direct investment in Pakistan (FDI). Because of their superior technological, managerial, and technical skills and marketing experience, foreign private investors were encouraged to participate in joint equity ventures with local investors. Foreign investment was encouraged in 1976 when the International Private Investment Act was signed into law. This regulation, which encourages agreements to prevent double taxation, ensures that profits and capital are returned to their proper owners. As a result, Pakistan began to loosen its limitations on foreign investment in the late 1980s. Laws intended to promote economic growth and draw in

foreign investment were included in the 1989 strategy package that was unveiled. The BOI provides FDI possibilities and investment services founded by the Prime Minister's secretariat. It is a one-stop shop for new businesses at the BOI. Pakistan has signed bilateral investment promotion and protection agreements with 46 countries to facilitate foreign investment in Pakistan.

Pakistan's approach to foreign direct investment:

Pakistan's government unveiled its New Investment Policy in November 1997 after a period in which foreign direct investment (FDI) was restricted to industries. More than three-quarters of GDP's services and agriculture must be covered to get tax credits. Exports including electronics, engineering, agricultural products, food processing, high-end textiles and construction will see a rise in foreign investment due to the new policy. For the foreign investment to be successful, it must meet four requirements: For projects in the social and infrastructure sectors, there is an exemption from the joint venture requirement, as well as a 60:40 joint venture split and a minimum of \$1 million in foreign ownership (100 per cent foreign equity may be allowed). Non-manufacturing businesses can be invested in. Only those activities that do not include guns and ammunition; high explosives; radioactive chemicals; printing, money, or minting of security printing can be held by foreign investors without the government's prior approval. Foreign investment in Pakistan's service, infrastructure, social, or agricultural sectors, among others, must be reported to the Securities and Exchange Commission (SECP) and the State Bank of Pakistan (SBP).

There is 100 per cent foreign equity available for projects in the service, infrastructure, and social sectors that can be exported back home. A wide range of benefits accrues to economies worldwide due to FDI (FDI). For FDI in Pakistan, there are 13 factors: tax incentives and tariffs, capital limitations, and technical fees, among others. Preferential tariffs and tax treatment have been offered to overseas investors since 1997. Royalties, fees for technical and franchise services, capital, income, and dividends can all be transferred. Protecting economic reforms (1992), Foreign Investment Promotion and Protection Act (1976), and Foreign Currency Accounts Protection Ordinance (2000) are all examples of legislation that provides legal defence. Customs duty-free imports of raw materials for production are allowed, but non-domestic machinery and equipment must pay a 5 per cent customs surcharge. Neither the manufacturing

process nor the components and subcomponents used suffer any expenses in producing sugar, cement, energy, and chemical plants. There is no need to pay sales tax in each of these scenarios.

There is a 35 per cent corporate tax rate on average in the United States of America. One hundred fifty-two nations have signed agreements to prevent double taxation. One hundred fifty-two countries have signed agreements. Foreign assets' earnings, dividends, and interest can all be repatriated to the United States. An unguaranteed foreign private lender is available to foreign investors who operate in countries that allow foreign investment. Purchasing plant and machinery can be paid for via loans from private offshore lenders (which do not require any government guarantee). Royalties and service fees have no upper limit in the manufacturing business. Royalties and fees for technical services provided to foreign corporations are subject to a 15% tax. There are, however, certain exceptions to this rule because of international agreements.

Evolution of FDI policy in Sri Lanka:

It has gone through two distinct periods in developing Sri Lanka's foreign investment strategy. From 1948 until 1977, the country's resources and finances were under the government's jurisdiction. The second phase of Sri Lanka's development began in 1977 when the country began economic reforms that included a more vital role for FDI. To ease trade and payments, currency rates were harmonized; agricultural taxes and export taxes were reorganized; administered prices were recalculated; private sector price limits and investment restrictions were also removed. Board of Investment (BOI) of Sri Lanka was founded in 1992 and had administrative jurisdiction over all elements of foreign direct investment (FDI)

Entry and establishment of FDI:

Foreign direct investment (FDI) is permitted in some industries in Sri Lanka, although it is prohibited in others or limited to a minority stake in a company. Sri Lanka's list of unlawful acts is concise compared to other Asian countries. Most of Sri Lanka's enterprises are only available to the country's citizens, including money lending, pawnbroking, retail trade investment, and personal services other than tourism exports, coastal fishing, and the awarding of local academic degrees. Although foreign investment is limited to 40 per cent in some areas, such as primary commodity production, mining and timber-based firms, and educational

institutions, the BOI must nevertheless approve all investments. Incentives for entrance into foreign direct investment (FDI) may be related to specific goals.

Evolution of the FDI policy in Bangladesh:

In the late 1980s and early 1990s, several initiatives were made to open Bangladesh's regulatory environment to foreign direct investment. Recently, Bangladesh has relaxed its industrial policy constraints and removed performance-based restraints, making it easier for foreign direct investment to flow into the country (FDI). Since 1996, foreigners have been able to invest in the telecoms business.

FDI policy framework:

On the "reserved industries" list, which includes the production of arms and ammunition, forest plantation and mechanized extraction in reserved forests, the production of nuclear energy, and printing/minting fresh currency notes, investment in Bangladesh's industrial activities are limited to those industries. Investing may be done in various ways, including on your own or through a local business. These investments might be made in the public or private sector. The stock market may also be used to build portfolios. A non-discriminatory set of guidelines for foreign investment in Bangladesh was enacted in 1980 by the International Private Investment (Promotion and Protection) Act.

International Remittances:

Several studies have been conducted on the link among remittances and economic growth, with varied degrees of success. Historically, the economic significance of remittances from abroad has been questioned because of this idea (Russell, 1986; Barajas et al., 2009). Most studies depend on anecdotes rather than rigorous scientific data to support this assumption (Adams, 2007). According to the most current statistics, foreign money transfers may be used for personal savings and consumption (Dustmann&Kirchamp, 2002; Adams, 2002). Several studies have indicated that foreign money transfers help economic growth, particularly in developing nations.

There has been a long history of good relations between Pakistan and other countries in the South Asian subcontinent, especially India. Nepal and Sri Lanka had one-way links, but not

other countries. Remittances can alleviate poverty by boosting the incomes of low-income families. In addition to improving human capital, it is feasible that this additional financing will help expand health and educational services (World Bank, 2006). Researchers Page and Adams discovered that remittances reduced inequalities of income by an average of 1.6 percent in 74 low and middle-income developing countries in a 2003 study. Remittances from workers back home have a greater influence on economic growth than foreign assistance or FDI, according to several studies. (Benmamoun&Lehnert, 2013; Rahman, 2009).

Foreign remittances may impact national budgets, interest rates, and currency values to complicate matters further. Twenty-two per cent of nations showed remittances to increase the currency rate, which restricted exports and hampered economic growth. As a result, according to the United Nations, remittances help recipients nations enhance their creditworthiness, cut their borrowing costs, and offer stable finance during turbulent times (2006). Some countries have to meet specific requirements before reaping the benefits of remittances. Low- and middle-income nations and countries with less established banking systems have a stronger correlation between remittances and economic development. For this, the reasoning is that it gives an alternate option of funding investment and addressing liquidity constraints (Benmamoun&Lehnert, 2013; Fayissa&Nsiah, 2008; Giuliano&Arranz, 2009).

According to Cooray, there is evidence that remittances can stimulate economic growth in nations with a high degree of educational and financial sector advancement (2012). If the country has sound policies in place in terms of politics and economics, it is possible, say Catrinescu and colleagues, to boost the amount of money sent home. As a result, saving for retirement and other long-term objectives should be a lot less complicated. When a country's economy remains stagnant, remittances have little effect (Barguelli et al., 2013). According to our study, FDI and International Remittances positively influence economic growth in impoverished nations. Even though this problem has been fixed, additional investigation is needed. Since South Asian economies are appealing investment locations and home to more than a third of the world's population, studying these economies is critical.

Foreign aid:

South and Southeast Asian countries have seen an influx of private capital. However, structural hurdles such as a lack of local savings resources and insufficient infrastructure have kept these

countries from attracting foreign direct investment (FDI) (WEF, 2011, 2012). A wide range of macroeconomic problems has plagued the economies of all countries save for these two since the turn of the century (Crowley & Lee, 2003; Cushman, 1988; Julio & Yook, 2016; Lemi & Asefa, 2003).

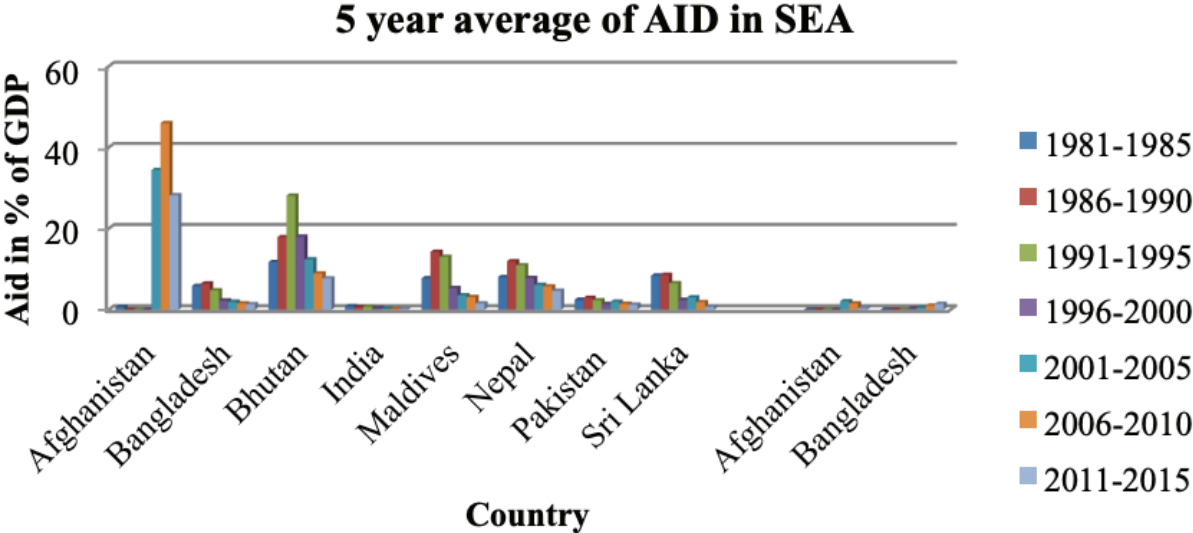


Figure 4: Long-Term Aid to Southeast Asia

Source: World Development Indicators, World Bank.

Foreign aid, particularly from the more wealthy Western countries, has been a significant driver of economic growth in the area. Foreign assistance and foreign direct investment (FDI) have had a strong and positive link in East and South Asian economies since 1995. According to the findings, assistance impacts FDI in Bangladesh, India, Sri Lanka, Pakistan and the Balkans (Bhavan, Carro, & Larru 2010). This funding and backing from the United States and other European countries may have affected future FDI inflows.

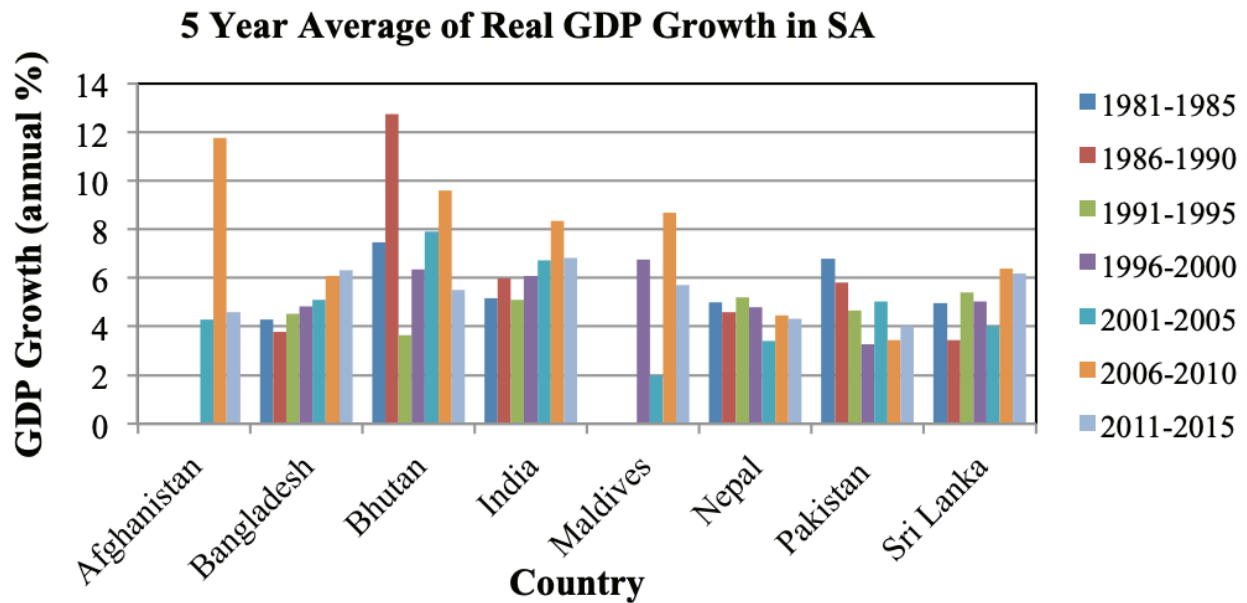


Figure 5: Growth in South Africa's economy

Source: World Development Indicators, World Bank.

India, a middle-income country, is the only South American country that relies exclusively on foreign assistance for growth. Afghanistan, Bhutan, the Maldives, and Nepal received the most money from the United Nations. Most of these nations have experienced an increase in FDI due to decreased foreign aid, although South Africa has only seen a tiny increase in FDI. However, this region is hindered by the lack of a political and institutional framework that prevents federal and local administrations from working together efficiently. Regional differences, bureaucratic delays, and infrastructure bottlenecks play a significant role (WEF, 2011, 2012). As a result, private capital is adversely harmed. The amount of FDI going into India and the Maldives was more than double the amount of assistance. Economic growth in the region's SEA and S.A. countries varies widely, and assistance and FDI are received at varying degrees. With the significant exceptions of Cambodia and Laos, economic stagnation or volatility is typical throughout Southeast Asia. South Asia's economy has continued to grow in Bangladesh, Bhutan, India, Nepal, and Sri Lanka. During this period, low-income nations in Southeast Asia, Southern Africa (SEA), and South Asia (S.A.) enjoyed quicker economic growth. Even while aid to developing countries has decreased, we have seen that it has not entirely disappeared due to increased economic activity and financial inflows. This study's focus is economic development in South East Asia and South Africa.

Exports of goods and services:

In order to reap the benefits of FDI, the authors argue, there must be open commerce (Agrawal, 2000; Balasubramanyam et al., 1996; Iqbal et al., 2014). A large portion of this is attributable to Bhagwati's assertion that export-oriented countries benefit more from FDI than other countries. International investment (FDI) was a factor in Pakistan's industrial and service sector expansion, according to Iram and Nishat (2009). For economic growth to occur, macroeconomic stability and privatization policies must be in place, and export-oriented policies. According to Tintin (2012), FDI has a favourable influence on economic growth in underdeveloped nations, while this effect is less prominent in rich countries. Foreign direct investment (FDI) policies and efforts to improve the quality of institutions are emphasized since growth and development are integrally intertwined. To help North Africa's development, African Development Bank (2015) offered similar suggestions. According to a study, there is a strong case for promoting agriculture and fishery, both labour-intensive and pro-poor.

Due to a dearth of data, it is impossible to know precisely how FDI affects business and national economies. Some researchers, such as Aitken & Harrison in 2004 and Wiboonchutikula&Tubtimtong in 2010, have found little evidence that foreign enterprises benefit domestic ones. The five South Asian countries of India, Pakistan, Bangladesh, Sri Lanka, and Nepal were shown by Agrawal (2000) to benefit from both inward and outward investment. Economic growth in the host country can be enhanced the most by technology spillovers, as found by Findlay (1978) and Ray et al. (2001). Investing businesses have, according to studies, transferred best practices and experience from home countries to host countries via new software and other internal training programs, etc. Businesses that are majority-owned by their investors.

When it comes to exporting goods and services, an impoverished country has a difficult time lacking money and a primarily uneducated workforce. Because of the lack of international economic ties, the small size of the economy, and the moderate annual growth rate, this country has difficulty exporting. In this strategy, exports and growth are linked. A rise in exports directly impacts economic growth, which in turn has an impact on those same exports. A country's transition from a low- to middle-income status takes time, especially in the fastest-growing world regions. Manufacturing capacity grows due to the development of both domestic and international markets through bilateral and multilateral agreements. South Asian countries are presently classified as a low-middle-income developing nation due to increased FDI, assistance,

and globalization. As new export markets open, so does production capacity. As a result, economic growth is boosted. In the years 1997 to 2018, the results show that exports and economic growth had a considerable impact on GDP of 1%. It is possible to utilize the 1997-2018 $B3 = 0.753177$ to calculate how much real GDP increases when exports increase to USD1 billion.

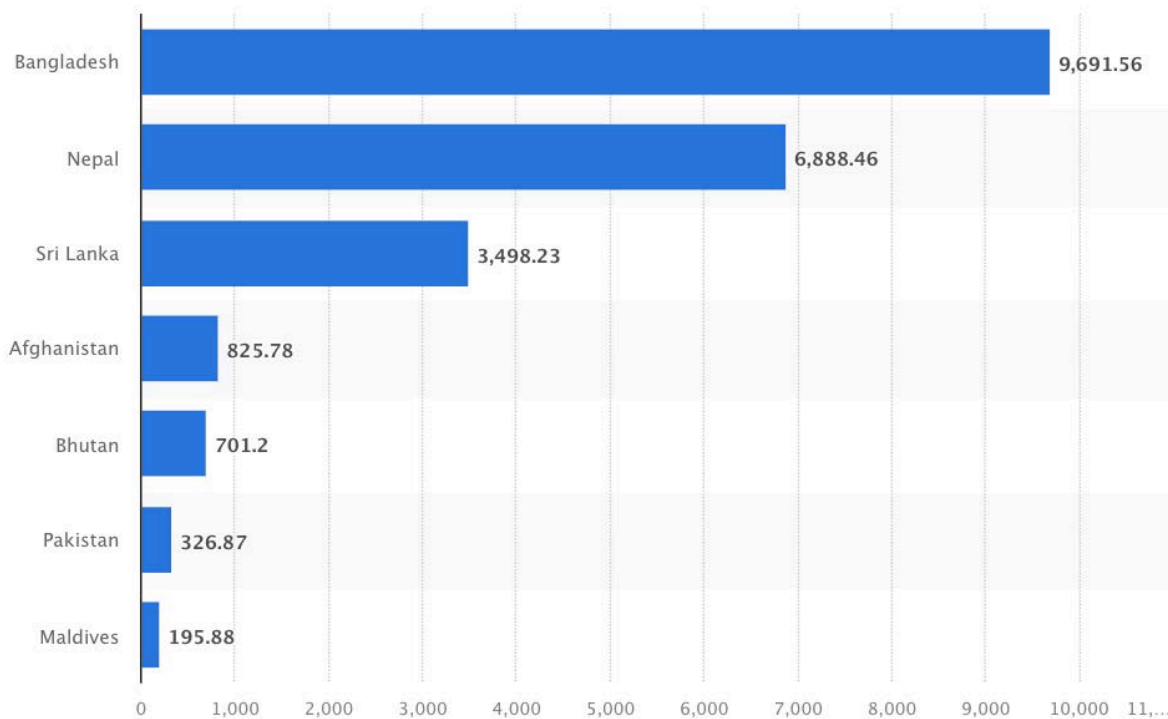


Figure 6 : export values of south Asian countries

Source: (Statista, 2022)

Exports from India to Bangladesh totaled \$9.7 billion in 2021, making it the region's most valuable exporter. Only 195 million dollars were exported from India to the Maldives. Exports to this region accounted for more than 7% of all Indian exports in 2013.

Export of leather in Pakistan:

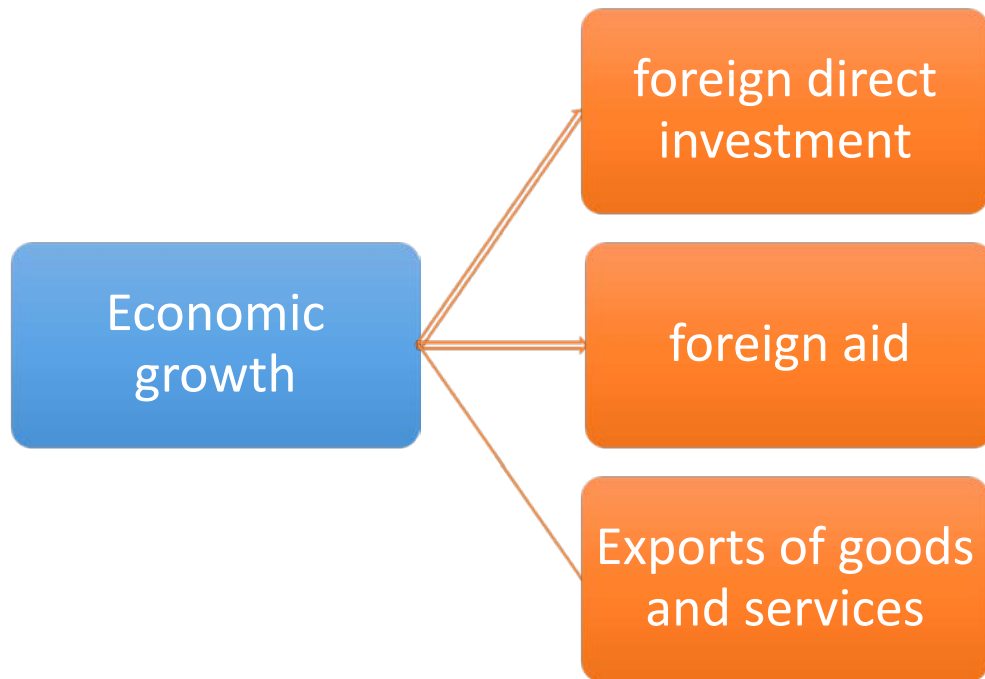
Figure shows how tanned leather exports changed from 2001 to 2006. Tanned leather exports dropped from US\$ 239,934,000 in 2001 to 2002 to US\$ 234,77,000 in 2002 to 2003, a 2.15 percent reduction during the same period. Then, in two years in a row, 2003-04 and 2004-05, exports of tanned leather climbed by 7.21 percent, for a total of 20.63 percent and 20.63 percent,

respectively. However, it fell by 3.69 percent in 2005-06. Apart from 2005-06, Pakistan's leather glove exports have been increasing. Leather glove exports in 2005-06 was US\$ 151,459 thousand, down from US\$ 164,333 thousand in 2004-05, a 7.8% reduction over the previous year. In 2005-06, the United States, Germany, and France were the top three consumers of leather gloves in Pakistan, with shares of 22.99 percent, 11.64 percent, and 7.85 percent, respectively. Except for 2002-03, exports of leather items in the area of garments and clothing grew. In 2005-06, Pakistan's export value in this category was US\$ 501,786 thousand, up from US\$ 321,341 thousand in 2001-02. This is a 56.15 percent growth over the previous year. During the period 2001-2006, Pakistan's export of leather manufacturing n.s. increased by 558.21 percent Shah, A. A., Mehmood, T., Hashmi, M. A., Shah, S. M., & Shaikh, F. M. (2011).

Food Exports In India:

India's food business directly employs about 1.6 million people, accounting for nearly 60% of all job possibilities. In manufacturing, consumption, export, and growth, it is also the nation's fifth largest industry. In FY 2012, India's processed food business was worth USD 157 billion and it is predicted to reach USD 225 billion by FY 2016, with an annual growth rate of 13%. 2011 (GOI, MOFPI). Furthermore, processed foods may be a viable commodity for developing-country exporters, allowing them to save and earn foreign cash. basic commodities such as rice, sugar, tea, coffee, tobacco, and other high-value items are progressively being displaced by trade in products of high value. Thus, throughout the 2000s, the value of rice, sugar, marine goods, tea, and other low-value exports decreased, while high-value exports (fruits and vegetables, floriculture, meat, and processed fruit juices) increased by nearly 18% yearly. By 2020, Ravi and Roy (2006) predicted that processed foods will account for 15% of total consumption. Agriculture, a large economic component that employs about 60% of the country's population and contributes roughly 25% of GDP, helps to sustain this industry. GNP (Gross Domestic Product) (GDP) With access to vast amounts of data, 161 million hectares of agricultural land serve as a natural resource basis. The biggest fresh water reservoir in the world is 15 million hectares. Global cattle populations and a variety of agro-climatic conditions India is a favored place for expansion in the overall economy, according to FICCI, the food industry (2007). Shelly, M., & Kaur, K. (2015).

Theoretical framework



Hypothesis:

Ho= Foreign direct investment has a positive impact on economic growth

H1= Foreign aid has a positive impact on economic growth

H2= Exports has a positive impact on economic growth

CHAPTER: 3

Research methodology:

Variable specification and source:

The methodology for this research is quantitative. Utilizing the data form World Bank. We have included this data in our analysis because it is authentic and WDI (world development indicator) compiles data from well recognized sources and WDI has primary World Bank collection of development indicators. The data for variable have been gathered from the series of WDI which were (official development assistance ODA and aid received, Export of goods and services, Foreign Direct Investment,GDP growth rate annual). The countries included in the study were Pakistan, India, Bangladesh and Sri-Lanka, during the set data of time period 2001-2019. Other south Asian countries and latest previous years were not included in the study because of lack of data.

Research design:

In the first segment of this research we analyzed the positive and negative impacts of the variables we looked at the theories supporting the significance of our research. In the second segment we compare the impacts of IV(Foreign direct investment, export of goods and services, foreign aid) on DV (economic growth) between South Asian countries (Pakistan, India, Bangladesh, Sri-Lanka) over different periods of time. The results of study are shown in tables below.

To have a clear design if methodology we have used the research onion to specify the procedure more precisely and accurately. The philosophy used is **positivism** and the role of the researcher is limited to data collection and analysis. There are no personal views added in the research. Furthermore, the approach of this research is **deductive**. The hypothesis was created based on existing theory, and then a research approach was devised to evaluate these hypotheses. For the research **quantitative data** is used and the time horizon is **longitudinal**.

Data source and technique:

The data for this research is collected from a secondary source and that is world Bank, for data analysis the statistical tool that will be used is SPSS.

The reason behind using these techniques is regression analysis shows the relationship between dependent and independent variables and correlation analysis shows the level of association between dependent and independent variables.

Past studies have showed that FDI, Exports and remittance have a positive impact on GDP so we expect our coefficient to be positive and significant correlation between independent and dependent variables.

CHAPTER: 4

Results and analysis:

Following results are concluded from the test.

Country 1: (Pakistan)

Correlations

		FDI	exp	aid	GDP%
FDI	Pearson Correlation	1			
exp	Pearson Correlation	.630**	1		
aid	Pearson Correlation	.697**	.624**	1	
GDP%	Pearson Correlation	.768**	.698**	.762**	1

** . Correlation is significant at the 0.01 level

Regression:

Model	Coefficient			Sig
	Standardize Coefficient	T	Beta	
FDI		3.56	3.126	0.02
AiD		2.30	1.51	0.04
Exp		2.02	1.10	0.0269
R-Square				0.385
F-Statistics				4.89

a. Dependent Variable: GDP%

Country 2: (India)

Correlations

		FDI	exp	aid	GDP%
FDI	Pearson Correlation	1			
exp	Pearson Correlation	.740**	1		
aid	Pearson Correlation	.980**	.656**	1	
GDP%	Pearson Correlation	.345**	.676**	.729**	1

** . Correlation is significant at the 0.01 level

Regression:

Model	Coefficient			Sig
	Standardize Coefficient	T	Beta	
FDI	3.126	3.56		0.00
AiD	1.781	2.90		0.00
Exp	2.10	2.62		0.0346
R-Square				0.438
F-Statistics				8.99

Dependent Variable GDP

Country 3: (Bangladesh)

Correlations

		FDI	exp	aid	GDP%
FDI	Pearson Correlation	1			
exp	Pearson Correlation	.923**	1		
aid	Pearson Correlation	.765**	.712**	1	
GDP%	Pearson Correlation	.643**	.425**	.234**	1

** . Correlation is significant at the 0.01 level

Regression:

Model	Coefficient			Sig
	Standardize Coefficient	T	Beta	
FDI		2.07	2.78	0.00
AiD		2.30	3.12	0.03
Exp		2.67	2.56	0.032
R-Square				0.6543
F-Statistics				7.89

a. Dependent Variable: GDP%

Country 4: (Srilanka)

Correlations

		FDI	exp	aid	GDP%
FDI	Pearson Correlation	1			
exp	Pearson Correlation	.572**	1		
aid	Pearson Correlation	.821**	.742**	1	
GDP%	Pearson Correlation	.321**	.285**	.156**	1

** . Correlation is significant at the 0.01 level

Regression:

Model	Coefficient			Sig
	Standardize Coefficient	T	Beta	
FDI		2.77	3.58	0.00
AiD		2.40	7.12	0.02
Exp		2.37	6.36	0.056
R-Square				0.893
F-Statistics				8.89

a. Dependent Variable: GDP%

Analysis and interpretation

Country 1:

Correlation statistical analysis:

Country 1 is Pakistan and the first test we ran is correlation to test the linkages between variables. This test also shows how strong or weak the relationship is between two variables. For example, if the value is 0.92 it shows that the two variables are not only positive but they also have a very strong relationship with each other.

For this research, we used a correlation statistical analysis and the illustrated results are shown in the table above. It shows the relationship between foreign direct investment, exports and aid.

According to the results, foreign direct investment has a very notable and moderate positive correlation with exports, which has a Pearson correlation value of 0.630 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

Moreover, foreign direct investment has a very significant and moderate positive correlation with Foreign aid, which has a Pearson correlation value of 0.697 and the significance value is 0.000 which is less than 0.01. This suggests that the connection between these two variables is positive and highly significant.

According to the results, foreign direct investment has a very significant and moderate positive correlation with GDP, which has a Pearson correlation value of 0.768 and the significance value is 0.000 which is less than 0.01. This suggests that the connection between these two variables is positive and highly significant.

Additionally, exports has a very significant and moderate positive correlation with foreign aid , which has a Pearson correlation value of 0.624 and the significance value is 0.000 which is less than 0.01. This suggests that the connection between these two variables is positive and highly significant.

According to the results, exports has a very notable and moderate positive correlation with GDP, which has a Pearson correlation value of 0.698 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

According to the results, foreign aid has a very notable and moderate positive correlation with GDP, which has a Pearson correlation value of 0.762 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

Regression:

Regression analysis helps us to identify the impact of independent variable on dependent variables. It helps us to analyse the variation changes in dependent variable (DV) because of independent variable (IV).

According to regression analysis in our study, there is 38.5% variation in DV (economic growth) because of (IV) which are foreign direct investment, exports and foreign aid.

Coefficient:

Standardized coefficient beta helps to identify the unit change in dependent variable caused due to independent variable.

According to our results we can see that due to one unit change in independent variable (foreign direct investment) there will be 3.126 unit change in dependent variable which is GDP. From the results we can see that there is a positive relation between GDP and exports which means that if IV (exports) will increase by one unit then Dv (GDP) will also increase by 1.10 unit. Furthermore, if there is one unit change in foreign aid (IV) there will be 1.51 unit change in GDP(DV).

Country 2: (India)

Correlation statistical analysis:

According to the results, foreign direct investment has a very notable and moderate positive correlation with exports, which has a Pearson correlation value of 0.740 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

Moreover, foreign direct investment has a very significant and moderate positive correlation with Foreign aid, which has a Pearson correlation value of 0.980 and the significance value is 0.000 which is less than 0.01. This suggests that the connection between these two variables is positive and highly significant.

According to the results, foreign direct investment has a very significant and moderate positive correlation with GDP, which has a Pearson correlation value of 0.345 and the significance value is 0.000 which is less than 0.01. This suggests that the connection between these two variables is positive and highly significant.

Additionally, exports have a very significant and moderate positive correlation with foreign aid, which has a Pearson correlation value of 0.656 and the significance value is 0.000 which is less than 0.01. This suggests that the connection between these two variables is positive and highly significant.

According to the results, exports has a very notable and moderate positive correlation with GDP, which has a Pearson correlation value of 0.676 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

According to the results, foreign aid has a very notable and moderate positive correlation with GDP, which has a Pearson correlation value of 0.729 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

Regression:

According to regression analysis in our study, there is 43.8% variation in DV (economic growth) because of (IV) which are foreign direct investment, exports and foreign aid.

Coefficient:

According to our results we can see that due to one unit change in independent variable (foreign direct investment) there will be 3.126 unit change in dependent variable which is GDP. From the results we can see that there is a positive relation between GDP and exports which means that if IV (exports) will increase by one unit then $Dv(GDP)$ will also increase by 2.10 unit. Furthermore if there is one unit change in foreign aid (IV) there will be 1.781 unit change in GDP(DV).

Country 3: (Bangladesh)

Correlation statistical analysis:

According to the results, foreign direct investment has a very notable and moderate positive correlation with exports, which has a Pearson correlation value of 0.923 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

Moreover, foreign direct investment has a very significant and moderate positive correlation with Foreign aid, which has a Pearson correlation value of 0.765 and the significance value is 0.000 which is less than 0.01. This suggests that the connection between these two variables is positive and highly significant.

According to the results, foreign direct investment has a very significant and moderate positive correlation with GDP, which has a Pearson correlation value of 0.643 and the significance value is 0.000 which is less than 0.01. This suggests that the connection between these two variables is positive and highly significant.

Additionally, exports has a very significant and moderate positive correlation with foreign aid , which has a Pearson correlation value of 0.913 and the significance value is 0.000 which is less than 0.01. This suggests that the connection between these two variables is positive and highly significant.

According to the results, exports has a very notable and moderate positive correlation with GDP, which has a Pearson correlation value of 0.712 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

According to the results, foreign aid has a very notable and moderate positive correlation with GDP, which has a Pearson correlation value of 0.234 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

Regression:

According to regression analysis in our study, there is 65.43% variation in DV (economic growth) because of (IV) which are foreign direct investment, exports and foreign aid.

Coefficient:

According to our results we can see that due to one unit change in independent variable (foreign direct investment) there will be 2.78 unit change in dependent variable which is GDP. From the results we can see that there is a positive relation between GDP and exports which means that if IV (exports) will increase by one unit then $Dv(GDP)$ will also increase by 2.56 unit. Furthermore, if there is one unit change in foreign aid (IV) there will be 3.12 unit change in $GDP(DV)$.

Country 4: Srilanka

Correlation statistical analysis:

According to the results, exports has a very notable and moderate positive correlation with foreign direct investment, which has a Pearson correlation value of 0.572 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

Moreover, exports have a very significant and moderate positive correlation with Foreign aid, which has a Pearson correlation value of 0.742 and the significance value is 0.000 which is less than 0.01. this suggests the connection between these two variables is positive and highly significant.

According to the results, exports has a very significant and moderate positive correlation with GDP, which has a Pearson correlation value of 0.285 and the significance value is 0.000 which is less than 0.01. This suggests that the connection between these two variables is positive and highly significant.

Additionally, foreign direct investment has a moderate positive correlation with foreign aid , which has a Pearson correlation value of 0.821 and the significance value is 0.000 which is less than 0.01. This suggests that the connection among these two variables is positive and highly significant.

According to our derived, foreign direct investment has a very notable and moderate positive correlation with GDP, which has a Pearson correlation value of 0.321 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

According to the results, foreign aid has a very notable and moderate positive correlation with GDP, which has a Pearson correlation value of 0.158 and the significance value is 0.000 which is less than 0.01. This shows that the connection between these two values is positive and exceptionally significant.

Regression:

According to regression analysis in our study, there is 89.3% variation in DV (economic growth) because of (IV) which are foreign direct investment, exports and foreign aid.

Coefficient:

According to our results we can see that due to one unit change in independent variable (foreign direct investment) there will be 3.58 unit change in dependent variable which is GDP. From the results we can see that there is a positive relation between GDP and exports which means that if IV (exports) will increase by one unit then $Dv(GDP)$ will also increase by 6.38 unit. Furthermore if there is one unit change in foreign aid (IV) there will be 7.12 unit change in GDP(DV).

CHAPTER 5:

Discussion:

Exports of goods and services:

Exports have been shown to have a significant role in shaping economic growth, and they have a significant influence on economic growth (Singh, 2015). Even among the countries with the highest rates of growth, nations must have a sustained period of significant annual economic growth in order to shift from undeveloped to developing. As a response, governments not only utilize domestic markets, but also expand overseas markets through bilateral and regional trade deals, resulting in greater production to meet both export and domestic markets.

Fatemah and Qayyum (2018) investigated the effects of exports on Pakistan's economic growth. Exports were found to be a positive and substantial factor of economic growth in this research.

Foreign Direct Investment:

By bringing new technology and other inputs, FDI helps to boost growth in the economy. Obliquely, FDI helps through improving human capital, resources, and infrastructure. (For a conceptual justification of this modeling technique, read Borensztein, Gregorio, and Lee.)

According to an Oxford University Press research, FDI has a favourable impact on economic growth in emerging nations, particularly those in South Asia (Pakistan, India, Bangladesh and Sri-Lanka). They used data from the past three decades for about 63 nations.

Foreign Aid:

A study conducted of six south Asian countries showed a positive and significant impact on the economic growth. The research showed that remittance helps in increasing saving and consumption. It promotes financial development and removes credit constraints by improving human and physical capital in the country Dash, R. K. (2020)

Conclusion:

According to our study our hypothesis has been proved and foreign direct investment, Aid and export have significant and positive impacts on the economic growth of south Asian countries. And past studies have also proved it. FDI is positive and beneficial for the overall growth of the nation. It helps in enhancing technology and increasing employment opportunities in the country but government should focus more on seeking new ways of increasing exports and move from raw material exports like cotton and other agricultural products to finished goods and other technological products which earn more revenues to the country. Studies have proposed that exports have better impacts than FDI in an economy. By the results of regression analysis of our study Bangladesh have the highest while Pakistan has the lowest variation on economy because of these variables. Exports have had fluctuations; they have declined or increased during different periods of time but they have always proved to be beneficial for economy. Aid and donations received can be used as investments in the projects climate change, globalization, building infrastructure and manufacturing projects which will result in creating employment opportunities for skilled force. These countries have been seeking new ways of achieving these goals and converting their ODA donors also their partners in business. With the completion of Gwadar port Pakistan aim to boast their exports as well. As the results of exports Aid and Foreign direct investment are proved to be significant, these south Asian countries need to sign new projects and agreements, explore new markets, make policies that have fewer barriers so that investors can enter the market. As Pakistan, India and Bangladesh are neighboring countries who also share the same cultural and heritage values they can also increase their imports and exports by lowering taxes, this will also reduce travelling cost that consumers have to pay for products coming from far away countries. These studies can be used by government bodies to see how beneficial the impact of remittance, Aid and exports are on the economic growth of the nation. It can be seen as an evidence to be used for making policies that attract foreign direct investment, remittance and improve manufacturing and exports in the country.

Limitations and recommendation:

This study used data of four south Asian countries, future studies can be conducted by including other south Asian countries such as Bhutan, Nepal and Maldives as well.

Terrorism has a huge impact on countries image which also effects nation's exports and Aid and investors decisions researchers can also add impact of terrorism in their research as this study does not include it. This research paper only includes data from last two decades more years can also be taken as a purpose of research. This study doesn't show the separate impacts of independent variables on economic growth.

These South Asian countries must seek new and productive ways to attract more foreign direct investment, remittance and increase exports of goods and services.

For that they need to have a stable political structure that is free of corruption and also terrorism, where sources can trust that their remittance is going in safe hands and they are being utilized where they are actually needed.

In order to remain competitive in attracting FDI, these countries must quickly transformation from Infrastructure projects premised on cheap labor and raw materials to increased developments relying on tax and territory rewards, infrastructure building, administrative procedure reform, the availability of quality human resource department, an advanced healthcare system, as well as other measures.

These nations should make efforts in developing rules that are less restrictive for entrepreneurs and contributors. This study doesn't show the separate impacts of independent variables on economic growth.

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