

Determinants of Inward Foreign Direct Investment: New Evidence from Bangladesh

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Abstract : Foreign Direct Investment (FDI) has been increased at a remarkable position around the globe in which emerging economies are getting more FDI compared to industrialized economies. This study aims to examine the determinants of inward FDI flows in Bangladesh. To estimate the long and short-run impact of the FDI determinants for 1996-2020, we employed the Autoregressive-Distributed Lag (ARDL) model. Results show that: (1) macroeconomic determinants, such as economic growth, infrastructure, and market size, have a significant and strong positive effect. (2) Inflation exchange rate shows insignificant effects, while trade openness has mixed (short-run negative, long-run positive) effects on FDI inflows in both the long and short run. (3) Current institutional determinants rule of law has a positive effect on FDI inflows but is statistically insignificant, political stability has a negative, and the rule of law has a considerable beneficial impact on inflows of FDI. (4) The macroeconomic factors have been determined to impact Bangladesh's FDI inflows. Finally, a stable macroeconomic climate is more effective at luring FDI, as this study confirms. From a policy perspective, this study will help the government and policymakers to make a new investment policy.

Keywords : determinants, FDI, ARDL, Bangladesh

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