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Impact of Foreign Direct Investment on Economic Growth of the SAARC Countries

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Abstract
Empirical evidence suggests FDI has both growth enhancing and growth diminishing impact on the economic growth. The endogenous growth model supports the view that FDI has significant impact on improving human capital, managerial skills, research and development which in effect improve economic growth. However, "The dependency school theory" argues that importing foreign capital from developed countries is harmful in the long-run for the developing economies. This in effect causes distortion, hinders growth, and increases income inequality in developing countries. In this context, the impact of FDI on economic growth of SAARC and its member states has been investigated. For the purpose of investigation positivism philosophy, deductive approach and cross-sectional research design has been employed. Secondary data for the period of 2000-2014 for FDI (independent variable) and GDP, Total export, Inflation (dependent variables) has been collected from UNCTADstat database and analysed using correlation and regression analysis. The finding shows that FDI has significant impact on economic growth of SAARC region. For individual member states FDI is also found to be a significant factor for accelerating economic growth for all the countries with exception for Afghanistan and Pakistan. Therefore, this research recommends taking more initiative by the individual countries to attract more FDI through making FDI friendly policies, reducing tax and tariffs to accelerate economic growth.
Keywords: Foreign Direct Investment, Economic growth, SAARC economy

1. Introduction

Foreign Direct Investment (FDI) is considered as a very significant facilitator of economic growth (Srinivasan, et al., 2011). Literatures suggest that FDI boosts economic growth by providing capital, foreign exchange, technology and easing the access to foreign markets (Crespo & Fontoura, 2007). Furthermore, they mentioned that FDI is able to boost domestic investment and innovation which will drive economic growth. Hence, Hayami (2001) opined, countries with low-level equilibrium meaning low investment and low per capita growth due to low savings rate can escape this trap by importing more capital from abroad in the form of FDI.

The endogenous growth model (Romer (1986); Mankiw, et al., (1992)) supports the view that FDI has significant impact on improving human capital e.g. managerial skills and research and development which in effect improve economic growth. Hence, Romer (1993) concluded that, developing economies should adopt policies to provide incentives to foreign firms to close the idea gap, bring resources from develop economies and use them with the local resources, in order to gain or to keep pace with developed economies.

However, "The dependency school theory" debates that importing capital from developed countries is detrimental in the long-term for the developing economies. Furthermore, it is the developed economies that get benefited by extracting the labour and resources of the developed economies and setting inadequate compensation for their natural resources; hence, sentences the developing economies in continuing poverty. This in effect creates distortion, hampers growth; as a consequence income inequality rises in developing countries (Stoneman, 1975); (O'Hearn, 1990). In addition, the neo-classical growth models of Solow (1956), concludes impact of FDI in the long-term is negligible; however, it might have positive impact in the short-run.

In reference to the above discussion it can be concluded that whether the impact of FDI is growth enhancing or diminishing is debatable and remains an empirical question. Hence, this research seeks to identify the impact of FDI on economic growth in the context of South Asian Association for Regional Cooperation (SAARC) countries.

1.1 Overview of FDI in the SAARC

SAARC consists of eight South Asian countries and was created in 1985 for the purpose of improving economic cooperation in this region. Bangladesh (BAN), Bhutan (BHT), India (IND), Maldives (MLD), Nepal (NPL), Pakistan (PAK) and Sri Lanka (SRL) are the founder members of SAARC and later in 2005 Afghanistan (AFG) has joined the club. The FDI inflow has significantly increased in this region in the past decade, especially, in India. Other member states are also implementing various policies such as concession on tax, reduction in tariffs, credit facilities and so on, to attract more foreign capital through FDI. It was identified that the inflows of FDI amount in the SAARC region has increased from $4670.53 million in 2000 to $39086.93 million in 2014 (See Appendix 1).

However, it would be too early to comment on its impact on economic growth of these countries. Hence, this research intends to investigate the impact of FDI inflows in the economic growth of SAARC countries for

the period of 2000-2014. The economic growth will be measured as the growth in GDP, Total export for goods and services and Inflation due to inflows of FDI.

2. Literature review

2.1 Definition of FDI

In its simplest form FDI means that investors are investing in a country other than their own and gaining controlling interest of the invested company (Raičević, et al., 2016). According to Srinivasan, et al., (2011) FDI "Is an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate)". FDI can be from an individual to an institution also. In both cases it gives the power to the investor to influence the management of the investment.

2.2 Impact of FDI on Economic Growth

Although the literature on impact of FDI on economic growth is thickening day by day, however, it still remains largely an empirical question due to the conflicting findings on the impact of FDI on economic growth. Research conducted by Singer (1950); Griffin (1970) and Weisskopf (1972) supports the traditional view that FDI does not benefit the host country rather it's the home country that transfers all the benefits through multinational company. Bacha (1974) and Saltz (1992) found FDI is negatively correlated with economic growth in the developing countries.

Similarly, Haddad & Harrison (1993) did not find any positive effect of FDI on economic growth of developing countries. De Mello (1999), however, found weak causal relation between FDI and economic growth of 32 developing countries. Thus concluded, "Whether FDI can be deemed to be a catalyst for output growth, capital accumulation, and technological progress seems to be a less controversial hypothesis in theory than in practice". Similar result was identified by various researchers such as Carkovic & Levine (2002), Mencinger (2003) and Frimpong & Oteng-Abayie (2006) considering 72 developing countries, 8 transition countries and for Ghana on their research respectively.

In contrast, empirical literatures also support the modernisation view that FDI has positive impact on economic growth. Blomstrom & Kokko (1998) found positive relationship between FDI and economic growth for 78 developing countries. Similar results were found by Borensztein, et al., (1998) considering technological diffusion through FDI on 69 developing countries. Moreover, their research shows FDI and economic growth complements each other on those countries. Research conducted on ASEAN-4 countries by Marwah & Tavakoli (2004), 47 African countries by Lumbila (2005), 118 countries worldwide by Aghion , et al., (2006), 87 different countries by Morrissey & Lensink (2006), for Singapore and Malaysia by (Sissoko & Feridun, 2006) and Har Wai Mun et al., (2008) respectively found that FDI has positively impacted the economic growth of those countries.

On the other hand, Basu & Ckakraborty (2002) identified that positive effect of FDI is larger in open economies and bidirectional towards the economic growth whereas, it is unidirectional in a close economy meaning GDP growth influence the FDI flow. A similar trend was identified by Blomstrom, et al., (2000) where the research shows that FDI have positive impact on economic growth for those countries who has reached certain income level. Various other factors of the host economy such as political environment, institutional environment, tax, literacy rate and macro-economic strength also plays important role on how FDI might affect the growth of economy (Mallampally & Sauvant, 1999). This shows countries with certain infrastructure can only benefits from the FDI inflows. Research conducted by Borensztein, et al., (1998); Wu & Hsu (2008), also found strong positive relation between skilled human capital and FDI impact on economic growth of host country.

Bashir & Shakir (2012) identified that FDI impact economic growth in two distinct ways such as (1) it has significant positive impact on the trade and commerce of the host country which elicit economic growth and (2) it increase host county capital market. According to Taylor & Sarno (1999), FDI inflow has positive impact on economic growth of host country. The positive impact of FDI is obvious if it is considered into highly competitive markets, whereas, impacts of FDI is negative when it's restricted into specific markets. FDI positively affect the economic productivity through transferring new skills, technology and knowledge which the host country may have lacking's of (De Gregorio, 2003).

However, some empirical research shows that there exist unidirectional relations between economic growth and FDI meaning higher the economic growth more the FDI inflows for some Asian countries (Basu & Ckakraborty, 2002). Besides, Bende-Nabende , et al., (2001), Liu, et al., (2002), Hansen & Rand (2006), Nguyen Phi Lan (2006) and Al-Iriani & Al-Shamsi (2007) found bidirectional relationship between FDI and economic growth for ASEAN-5 countries, China, 31 developing countries, Vietnam and 6 Gulf Cooperation Countries (GCC) respectively.

2.3 Impact of FDI in SAARC economy

FDI is one of the most important forms of foreign capital inflow in the developing countries and is a substantial component of capital formation (Kumar & Pradhan, 2002). Research conducted by Emdad & Quamrul (2006), found FDI has significant impact on industrialisation, economic development and growth of Bangladesh. However, the impact of FDI was found insignificant in the case of Pakistan; although it has helped to meet saving-investment gap (Falki, 2009). Srinivasan, et al., (2011), undertook an empirical research to identify the impact of FDI on economic growth of SAARC countries and found a long-run bidirectional causal link between FDI and GDP growth of the SARRC countries except for Afghanistan and India. However, for India the causal relation was unidirectional and flows from GDP growth to FDI. Afghanistan was omitted from their study due to lack of data.

In contrary, Bashir & Shakir (2012) found two way causality or bidirectional relationship between FDI and GDP growth of Bhutan, India, Pakistan and Sri-Lanka, an unidirectional positive causal relationship, on the other hand, for Afghanistan and Nepal. However, their research did not find any causal relations between FDI and GDP growth for Bangladesh and Maldives. Barua (2013) studied the impact of FDI on Indian GDP growth & Export and found FDI has significant impact on the GDP growth and total export of India. Banga (2006) found that FDI has significantly increased the Indian manufacturing exports. (Sayeed, 2010), on the other hand, has found that the external FDI has significant impact on the SAARC economic growth than from the internal SARRC FDI flows. The only exception found is Nepal where India is the major investor.

3. Methodology

The design of an appropriate methodology plays a significant role in making a powerful generalisation of the research findings. Robust analysis which has the ability to face the test of time is deeply rooted in appropriate choice of methodology for any research (Acquaye, 2014). This research has conducted based on positivism philosophy and deductive approach. Positivism philosophy enables to identify the true explanation or pattern and the objective understanding of the impact of FDI on the economic growth (Bryman & Bell, 2007). On the other hand, deductive approach helped to identify the impact of FDI on economic growth in a logical way which has led to "confirm" or "reject" decision.

Secondary data for this research is collected from UNCTADstat (United Nations Conference on Trade and Development) database which is available to public domain. This is a comprehensive database consisting annual data on FDI, GDP, Total export from services and goods and Inflation for all the countries and economic forums since 1980 to 2014. Yearly data from 2000-2014 for SAARC and its member countries are collected from the investment report of this database. Data in this database are clean and electronically stored which reduces potential errors and enhances the value of generalisation of the findings. Hence, questions relating to validity become non-existent.

3.1 Derivation of variables

Independent variable

FDI Inflows: Total FDI inflows for each year in the SAARC region and its member states for the period of 2000-2014 are used as independent variable for this research to identify its impact on economic growth of SAARC.

Dependent variables

GDP: GDP is the total market value of all final goods and products produced by within the any country is a specific time period typically in a year. Many factors could influence the GDP. However, for this research FDI inflow is considered as a driving force for GDP increase. Hence, if the explanatory power of FDI is significant over GDP, the assumption will be proved.

Total export of goods and services: Export of any country can be affected by many factors such as legislation, tariffs, political stability and so on. For this research it is assumed FDI inflow is also a significant factor that influences total export. Hence, if the explanatory power of FDI is significant over total export, the assumption will be proved.

Inflation rates: One of the reasons of Inflation is strong economic growth. If the total demand in any economy exceeds the total supply it is expected to cause ---high inflation. For this research it is assumed FDI inflow is an influential factor of increase in inflation meaning creating more demand than supply. Hence, if the explanatory power of FDI is significant over inflation rate, the assumption will be proved.

3.2 Data analysis techniques

In order to achieve the objectives of this research the collected data has analysed using Correlation and Regression analysis.

Correlation analysis

This analysis is used to identify the inter-relationship between the independent variable (FDI inflows) and the

dependent variables (GDP, Total export and Inflation). This shows the direction of movements in dependent variables as a result of variation of the independent variable. If the independent variable and the dependent variables moves in the same direction it is said that both variables are positively correlated and vice versa. For this research, any correlation between 0.5 and 1.0 is considered as strong positive correlation and any correlation between -0.5 to -1 is considered as strong negative correlation.

Regression analysis

Simple linear Regression analysis is conducted to identify the relationship between FDI (independent variable) and GDP, Total export of goods and services and Inflation rate (Dependent variables). All the regression is done at 95% level of confidence; hence any Significance-F value less than 0.05 from the analysis shows the relationship between the independent variable and dependent variable is significant. The regression model is stated below:

Dependent variables = α + β*FDI + ε

Where dependent variables are GDP, Total export and Inflation of SAARC and its member states; FDI is the respective amount of FDI inflows, α and β are intercepts and coefficient respectively and ε represent the error term.

4. Data Analysis

4.1 Correlation analysis

The outcomes of the correlation analysis between GDP & FDI, Total exports of goods and services & FDI, Inflation & FDI of SAARC as an economic region and for individual countries are presented from this point onwards:

Table 1: Correlation between FDI and GDP (Authors creation; Data Source: UNCTADstat)

	SAARC GDP	AFG GDP	BGD GDP	BHT GDP	IND GDP	MLD GDP	NPL GDP	PAK GDP	SRL GDP
SAARC FDI	0.7759								
AFG FDI		-0.0353							
BDG FDI			0.9186						
BHT FDI				0.3130					
IND FDI					0.7967				
MLD FDI						0.9155			
NPL FDI							0.8123		
PAK FDI								0.1676	
SRL FDI									0.9240

Table 1 above shows there is a strong positive correlation between FDI inflows and GDP growth for the SAARC economic region. The same trends can be found for all the individual countries in this region except for Afghanistan, where the relationship is negative but very weak; hence, not significant. Furthermore, the relationship between FDI and GDP growth for Bhutan and Pakistan is found weak.

Table 2: Correlation between FDI and Total exports of goods and services (Authors creation; Data Source: UNCTADstat)

	SAARC EXP	BDG EXP	BHT EXP	IND EXP	MLD EXP	NPL EXP	PAK EXP	SRL EXP
SAARC FDI	0.785							
BDG FDI		0.946						
BHT FDI			0.392					
IND FDI				0.802				
MLD FDI					0.926			
NPL FDI						0.626		
PAK FDI							0.266	
SRL FDI								0.941

Table 2 above shows very strong positive correlation between FDI inflows and total export of goods and services for SAARC economic region and for individual countries. It is also clear that this relationship is weak for Bhutan and Pakistan. However, due to missing data it was not possible to identify the relationship between FDI and Total exports of goods and services for Afghanistan.

Table 3: Correlation between FDI and Inflation rates (Authors creation; Data Source: UNCTADstat)

	SAARC INF	BDG INF	IND INF	MLD INF	NPL INF	PAK INF	SRL INF
SAARC FDI	**0.828**						
BDG FDI		**0.526**					
IND FDI			**0.771**				
MLD FDI				**0.584**			
NPL FDI					**0.619**		
PAK FDI						**0.572**	
SRL FDI							**-0.043**

Table 3 above shows very strong positive correlation between FDI inflows and Inflation rates for SAARC economic region and for all individual countries, except for Sri-Lanka where there exist a very weak negative correlation. In addition, due to missing data it was not possible to identify the relationship between FDI and Inflation rates for Afghanistan and Bhutan.

4.2 Regression analysis

To further understand the dependency of GDP growth, total export of goods and services and inflation rate of SAARC economic region and its individual countries on FDI inflows Simple Linear Regression Analysis has been conducted based on the model developed in methodology for the period of 2000-2014. The outcomes of this analysis are presented from this point onwards:

Table 4: Regression analysis of FDI inflows and GDP growth (Author's creation; Data Source: UNCTADstat))

Regression Statistics							
					Coefficients		
Dependent variable	**Independent variable**	**Multiple R**	**R Square**	**Significance F**	**α**	**β**	**t Stat**
SAARC GDP	SAARC FDI	0.776	0.602	0.000674	648783.300	34.718	4.434
AFG GDP	AFG FDI	0.035	0.001	0.900512	11717.397	-2.935	-0.127
BDG GDP	BDG FDI	0.919	0.844	0.000001	19380.688	86.673	8.379
BHT GDP	BHT FDI	0.313	0.098	0.256047	1004.626	6.795	1.188
IND GDP	IND FDI	0.797	0.635	0.000378	514368.547	32.699	2.993
MLD GDP	MLD FDI	0.915	0.838	0.000002	966.835	5.104	8.204
NPL GDP	NPL FDI	0.812	0.660	0.000234	8310.994	111.379	5.021
PAK GDP	PAK FDI	0.168	0.028	0.550443	137119.785	5.734	0.613
SRL GDP	SRL FDI	0.924	0.854	0.000001	7363.726	58.624	8.715

Table 4 above shows that FDI inflow has significant impact on GDP growth of SAARC economic region and individual countries except for Afghanistan, Bhutan and Pakistan. The R-Square figure shows that at least 60% of the changes in GDP of SAARC can be explained by the variation of FDI inflows. However, for Bangladesh, Maldives and Sri Lanka this is as high as 83%.

Table 5: Regression analysis of FDI inflows and Total export of goods and services (Authors creation; Data Source: UNCTADstat)

Regression Statistics							
					Coefficients		
Dependent variable	**Independent variable**	**Multiple R**	**R Square**	**Significance F**	**α**	**β**	**t Stat**
SAARC EXP	SAARC FDI	0.7845	0.616	0.000535	86705.89	8.880	4.562
BDG EXP	BDG FDI	0.9460	0.895	0.000001	-1336.88	21.561	10.524
BHT EXP	BHT FDI	0.3923	0.154	0.148146	356.777	3.952	1.538
IND EXP	IND FDI	0.8019	0.643	0.000323	65802.26	8.840	4.839
MLD EXP	MLD FDI	0.9263	0.858	0.000007	304.041	6.631	8.863
NPL EXP	NPL FDI	0.6257	0.392	0.012591	1313.909	6.883	2.892
PAK EXP	PAK FDI	0.2659	0.071	0.338102	19267.23	1.176	0.995
SRL EXP	SRL FDI	0.9407	0.885	0.000002	4436.923	10.373	9.995

Table 5 above reveals that FDI inflow has significant impact on total export of goods and services of SAARC economic region. For individual countries FDI is also found to have a significant impact on its total export of foods and services. However, for Bhutan and Pakistan the impact was not statistically significant. The R-Square reveals that almost 61% changes in the total export of goods and services can be explained by the variation of FDI inflows. For individual countries it varies from 39% for Nepal to 89% for Bangladesh. Afghanistan was not included in this analysis due to missing data.

Table 6: Regression analysis of FDI inflows and Inflation rates (Authors creation; Data Source: UNCTADstat)

Regression Statistics							
					Coefficients		
Dependent variable	Independent variable	Multiple R	R Square	Significance F	α	β	t Stat
SAARC INF	SAARC FDI	0.828	0.685	0.0001400	3.532	0.00015	5.316
BDG INF	BDG FDI	0.526	0.276	0.0441935	3.869	0.00314	2.228
IND INF	IND FDI	0.771	0.594	0.0007649	3.557	0.00016	4.365
MLD INF	MLD FDI	0.584	0.341	0.0223432	0.999	0.02172	2.592
NPL INF	NPL FDI	0.619	0.383	0.0139713	5.412	0.04829	2.838
PAK INF	PAK FDI	0.572	0.328	0.0257564	5.501	0.00157	2.517
SRL INF	SRL FDI	0.043	0.002	0.8787086	9.561	-0.00070	-0.156

From Table 6 above it can be seen that FDI inflow has significant impact on the inflation of SAARC economic region and for individual country economy it is also found to be a significant factor. However, for Sri Lanka there is no statistical significance of FDI inflows on inflation. The R-Square figure reveals that 68% of the changes in inflation in the SAARC can be explained by the variation in FDI inflows. Furthermore, for individual countries the variation caused by FDI varies from 27% for Bangladesh to 59% for India. Afghanistan and Bhutan was not included in this analysis due to insufficient data.

5. Findings and Discussion

The findings from the correlation and regression analyses are discussed from this point onwards against each dependent variable:

Impact of FDI on the GDP of SAARC economic region during 2000-2014

The correlation analysis founds very strong positive relation between FDI inflow and GDP of SAARC and its member countries; hence, the more the FDI inflows in the SAARC the more the growth of GDP. The only exception is Afghanistan where, the relation is negative, although extremely week (-0.03). Regression analysis confirms the relation between FDI inflows and the growth of GDP of the SAARC. It finds FDI as a significant factor of GDP growth for Bangladesh, India, Maldives, Nepal and Sri-Lanka at 95% level of confidence. However, for Afghanistan, Bhutan and Pakistan the impact of FDI on GDP growth was not significant which also confirms the finding of negative and weak positive correlation for those countries.

These findings are similar to the findings of Srinivasan, et al., (2011) who found positive impact of FDI on economic growth of SAARC countries. This study also supports the view of Falki (2009) that FDI do not have significant impact of economic growth of Pakistan. However, these findings are in sharp contrast with the findings of Bashir & Shakir (2012) who did not find any impact of FDI on economic growth of Bangladesh and Maldives.

Impact of FDI on total export of goods and services of SAARC during 2000-2014

The correlation analysis founds very strong positive relation between FDI inflow and total export of SAARC. The same relation is found for individual member countries except for Bhutan and Pakistan, where the correlation is positive but weak. Hence, increased FDI inflows have increased the total export from this region boosting the economic growth. The regression analysis founds the relation between FDI inflows and total export is statistically significant at 95% level of confidence for SAARC and all of its member states but for Bhutan and Pakistan, where there was no statistical significance between FDI inflows and total export.

These findings are similar to the findings of Barua (2013) and Emdad & Quamrul (2006) who studied the impact of FDI on Indian and Bangladesh GDP growth & Export respectively and found FDI has significant impact of the GDP growth and total export of both countries. Banga (2006) also found that FDI has significantly increased the Indian manufacturing exports. Similar results were found my Alemu (2008) who researched on the impact of FDI on export of East Asia and conclude that FDI is the key driver of export in that region. Jayaweera (2009) also identified a positive relation between FDI and increase in Export after conducting research on 29 low-income countries.

Impact of FDI inflows on the Inflation rate of SAARC during 2000-2014

This research found very strong positive correlation between FDI inflows and Inflation rate for SAARC and its member states except for Sri-Lanka, where the relation is found to be very weak and negative. This indicates that as the amount of FDI inflows increase as does the inflation indicating the growth of economy. The regression analysis confirms that these relations are statistically significant at 95% level of confidence. It also confirms the negative relation between FDI and Inflation for Sri-Lanka as the analysis did not find any statistical significance.

6. Conclusions and Recommendations

The inflow of FDI in the SAARC region has sharply increased from $4670.53m in 2000 to $39086.93m in 2014. Moreover, countries like Bangladesh, India, Pakistan and Sri-Lanka are offering special tax incentives and

subsidies to attract more foreign capital. The reason for this could be the impact of FDI on economic growth through the technology transfer, capital formation, skill attainment and competition in host country market.

This research identifies the relationship and impact of FDI on economic growth by using Correlation and Regression analysis. The findings from the empirical investigation can be concluded as follows:

a) Correlation analysis reveals that FDI has strong positive relationship with GDP of SAARC and several of its member states namely Bangladesh, India, Maldives, Nepal and Sri-Lanka. However, for Bhutan and Pakistan the relationship although, was positive but weak. On the other hand, Afghanistan is the only country whose GDP is negatively correlated to FDI inflow. Regression analysis also finds FDI as an influential factor for GDP for SAARC and for Bangladesh, India, Maldives, Nepal and Sri-Lanka at 5% significance level. For Afghanistan, Bhutan and Pakistan, however, FDI does not have any significant impact on GDP.
b) Similar trends were found for Total export of goods and services from the correlation and regression analysis. FDI has strong influence on the total export of SARRC and of Bangladesh, India, Maldives, Nepal and Sri-Lanka. The correlation between FDI and total export for SAARC and these countries are very strong and positive and significant at 5% significance level. On the other hand, this research did not find any significant impact of FDI on total export of Bhutan and Pakistan, although, there exist a weak positive correlation between them. Afghanistan was omitted from this analysis due to lack of data.
c) FDI has significant impact on inflation rates of SAARC and of Bangladesh, India, Maldives, Nepal and Pakistan. This research found strong positive correlation between FDI inflow and inflation for SAARC and for these countries which is significant at 5% level of confidence. However, FDI has found to be negatively correlated with Inflation rates for Sri-Lanka, although this relation was not statistically significant. Afghanistan and Bhutan was not included in this analysis due to lack of data.

Overall, this research has found FDI is a dominant factor for economic growth for SAARC and it has significant impact on GDP, Total export of goods and services and Inflation rate of SAARC. Based on the findings of this research it is recommended that the FDI process/policy should be liberalised to attract more FDI inflows to ensure the long-term economic growth of SAARC and its individual member states.

Economic growth is affected by many macro-economic factors such as unemployment, national savings, interest rates and so on other than GDP, Total export and Inflation rate. Therefore, further research could be conducted considering a wide range of other variables which will help to produce more accurate generalised result on impact of FDI on economic growth.

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Appendix

1. FDI inflows in the SAARC from 2000-2014

FDI Inflows in SSARC countries (US $ Millions)									
Years	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri-Lanka	Total
2000	0.17	578.64	0.00	3587.99	22.26	-0.48	309.00	172.95	4670.53
2001	0.68	354.47	0.00	5477.64	20.50	20.85	383.00	171.79	6428.93
2002	50.00	335.47	2.43	5629.67	24.67	-5.95	823.00	196.50	7055.79
2003	57.80	350.25	3.37	4321.08	31.77	14.78	534.00	228.72	5541.76
2004	186.90	460.40	8.86	5777.81	52.93	-0.42	1118.00	233.00	7837.48
2005	271.00	845.26	6.21	7621.77	73.23	2.45	2201.00	272.00	11292.92
2006	238.00	792.48	72.16	20327.76	95.23	-6.65	4273.00	480.00	26271.99
2007	188.69	666.36	3.02	25349.89	132.43	5.89	5590.00	603.40	32539.69
2008	94.39	1086.31	19.90	47102.42	181.26	1.01	5438.00	752.20	54675.48
2009	75.74	700.16	71.66	35633.94	157.96	38.55	2338.00	404.00	39420.00
2010	211.25	913.32	30.81	27417.08	216.47	86.63	2022.00	477.60	31375.15
2011	83.41	1136.38	25.92	36190.46	423.50	95.49	1326.00	981.12	40262.27
2012	93.80	1292.56	50.67	24195.77	228.00	91.98	859.00	941.12	27752.89
2013	69.29	1599.13	8.75	28199.45	360.80	71.32	1333.00	932.55	32574.29
2014	53.56	1526.70	5.84	34416.76	363.27	29.56	1747.00	944.25	39086.93

Source: UNCTADstat