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Examining the Relationship Between Foreign Direct Investment and Export Performance: A Panel Data Approach

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Abstract
Foreign Direct Investment (FDI) significantly strengthens the export capacity of host countries by providing financial resources, facilitating technology transfer, and enhancing workforce skills and managerial capabilities. Given the importance of FDI in boosting export capacity, governments often offer incentives to attract FDI, particularly in developing countries. Recently, many developing economies have received increased FDI inflows. The relevant policy question is whether these incentives are truly effective. One way to assess this is by examining the impact of FDI on key economic performance indicators in host countries. This study investigates the interrelationship between FDI inflows and export performance in four Sub-Saharan African countries using an econometric method of panel regression. It also includes control variables such as trade openness, gross domestic product (GDP), and exchange rates. The empirical results indicate that FDI inflows have a positive and significant effect on export performance. Moreover, trade openness and economic growth also positively influence exports, while exchange rates have a negative impact.These findings have important implications for policymakers, highlighting the need to attract FDI to strengthen export capabilities. Additionally, promoting trade openness and economic growth is crucial for enhancing export performance, while effectively managing exchange rate dynamics is necessary to mitigate their negative impact on exports.
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Introduction

Foreign direct investment (FDI) is instrumental in the economic growth of host nations, serving not just as a financial injection but also as a conduit for technology and expertise transfer, fostering synergies between local and foreign entities. Through its productivity enhancement, FDI substantially boosts the broader economic advancement of the country. However, the impact of foreign capital inflows on promoting exports in recipient countries remains a subject of considerable debate. Numerous efforts have been undertaken to assess the current state of research exploring the relationship between foreign direct investment and exports. Both theoretical frameworks and empirical evidence suggest that FDI can enhance exports in various ways, such as augmenting capital availability for export production, facilitating technology transfer, broadening and improving the range of products, refining the technical and managerial skills of local workers, providing access to global distribution channels for exporting goods to international markets, and upgrading the export structure of the host country(Zhang 2005,Harding and Javorcik 2011)

Additionally, a recent study by Kastratović (2020) conducted a comprehensive review of theoretical and empirical studies, revealing a consistent trend,FDI tends to impact exports positively. This favorable outcome stems from what is known as export spillover effects, where local firms benefit from the presence of FDI. Consequently, investment inflows can increase the extensive and intensive margins of exports. The extensive margin pertains to the expansion of firms engaged in exporting goods. In contrast, the intensive margin relates to the increase in the average volume of goods each firm exports.

Assessing the relationship between FDI and exports is essential, as the increase in export volumes can yield many advantages and play a pivotal role in developing host economies. Improved exports stimulate economic growth, which is crucial for poverty reduction efforts. In that case, Foreign Direct Investment (FDI) is recognized as a potent driver of economic growth, especially through exports. It achieves this by introducing advanced technology and enhancing host countries' workforce and management skills (Belloumi ,2014). For countries aiming to strengthen their export capabilities and broaden the range of products they export, substantial investments in infrastructure, familiarity with global markets, and access to advanced technology are crucial prerequisites(Aboulilah et al., 2022). In addition to domestic investment, Foreign Direct Investment (FDI) represents a notable alternative for host countries as an external source of capital, offering an avenue to enter

global markets(Chakraborty et al.2016). It has been argued that the arrival of FDI can boost the export performance of host economies by enhancing their productive capabilities. Furthermore, FDI brings in capital, facilitates the transfer of technological knowledge, and improves the skills of the domestic workforce through training. (Mijiyawa 2017)

FDI can influence a host nation's export performance directly or indirectly(Babatunde 2017). In direct Mechanism, FDI may enhance the exports of host countries through the export activities of multinational subsidiaries. Multinational corporation (MNC) subsidiaries have the opportunity to capitalize on the abundant and cost-effective resources available in host countries. This enables them to reduce production costs and, consequently, enhances their ability to export products to global markets, utilizing the host country as a base for exporting goods. Foreign direct investment (FDI) can indirectly boost host countries' exports by influencing local businesses' export activities. Foreign-owned companies operating within a host country enhance domestic firms' competitiveness. This is achieved by transferring technology, entrepreneurial skills, managerial expertise, and workforce training. Additionally, local firms can improve their efficiency by observing and adopting foreign companies' production and export practices, thereby increasing their capacity to export goods(Ahmed et al., 2023; Babatunde, 2017).

Considering the expected positive outcomes of Foreign Direct Investment (FDI), governments globally offer incentives to attract such investments to their countries. According to UCTAD Subrahan, African countries have received a large share of FDI. A critical policy question is whether the incentives offered by Foreign Direct Investment (FDI) are justified. One approach to address this inquiry is to analyze the impact of FDI inflows on key economic indicators in host nations. To contribute to the existing body of research in this area, this study investigates the connection between FDI and the export capacity of recipient countries across Sub-Saharan Africa. Despite a growing number of empirical studies focusing on development, limited attention has been given to the highest FDI recipients in this region. This paper aims to address this gap by providing insights into the interplay between FDI and export capacity in these countries. This paper is structured into five sections: the first presents the introduction, the second reviews the literature, followed by the methodology section, and concludes with findings and policy recommendations.

Theoretical framework of the study

The study employs two main theoretical frameworks: the Heckscher-Ohlin-Samuelson (HOS) model and the Product Life Cycle theory by Raymond Vernon. These frameworks provide insights into the motivations behind foreign direct investment (FDI) and the dynamics of international trade, particularly in the context of Africa's economic landscape.

1. **Heckscher-Ohlin-Samuelson (HOS) Model**: The HOS model offers a theoretical foundation for understanding patterns of trade based on differences in factor endowments between countries. In the context of Africa, the region's abundant natural resources and relatively low labor costs align with the predictions of the HOS model. These factors make Africa an attractive destination for foreign investors, influencing investment decisions in the region. The model suggests that differences in factor endowments, such as abundant natural resources and lower labor costs in Africa, contribute to the profitability of regional investments.
2. **Product Life Cycle Theory**: The Product Life Cycle theory, proposed by Raymond Vernon, complements the HOS model by focusing on the evolution of products and the internationalization of production over time. According to this theory, firms invest abroad to exploit new markets and reduce costs as products progress. In more developed economies, firms may undertake FDI in the early stages of product development to establish production facilities and serve local demand. As products mature, exports may become more prominent as production shifts to lower-cost countries in the developing countries where cheap labor and raw material is avalaibale by directing their investment in these market . This framework highlights the role of FDI in capitalizing on new market opportunities and adapting to changing competitive dynamics

Literature Review

Numerous studies have extensively examined the relationship between Foreign Direct Investment (FDI) and export performance, significantly contributing to this research area. Much empirical research has been carried out to understand how FDI inflows influence export performance, utilizing causality tests and regression models

to demonstrate this relationship across various countries. This section will provide an extensive review of existing research that clarifies the relationship between foreign direct investment (FDI) and exports.

Empirical literature

Ahmed et al. (2010) conducted a comprehensive study investigating the role of exports, FDI, and imports in developing Sub-Saharan African countries. Utilizing Augmented Dickey-Fuller (ADF) unit root tests and multivariate cointegration tests, the study explored the long-term associations between these variables and economic growth. Their findings suggest a significant impact of FDI and exports on economic growth, highlighting the importance of policies to attract foreign investment. Moreover, Granger-type causality tests reveal the interconnectedness of exports, FDI, imports, and income variables, providing valuable insights for policymakers and researchers alike.

Likewise two studies by Abor et al. (2008) and Adejumo (2019) examined the influence of Foreign Direct Investment (FDI) on export outcomes within the manufacturing sectors of two African countries: Ghana and Nigeria, respectively. Abor et al. (2008) conducted a study to examine how Foreign Direct Investment (FDI) impacts export decisions and performance in Ghana's manufacturing sector. The study used probit models to investigate the effect of FDI inflows on firms' likelihood to export and the subsequent growth of their exports. The findings indicate a positive relationship between FDI and firms' export decisions and performance.However, the study focused exclusively on the manufacturing sector, leaving the role of FDI on other sectors remains unknown.

Similarly, Adejumo (2019) conducted a study on the impact of Foreign Direct Investment (FDI) on export sector diversification for sustainable development in Nigeria's manufacturing industry. The research utilized the Autoregressive Distributed Lag estimating technique to uncover FDI's short-term and long-term effects on manufactured exports. Initially, FDI inflows were found to have a negative impact, but over time, they boosted manufactured exports significantly. This highlights the crucial role of FDI in driving sustainable development in Nigeria's manufacturing sector. These studies provide valuable insights into the positive impact of FDI on export-related outcomes in African manufacturing industries. While they acknowledging the benefits of FDI, their study emphasized the importance of conducting futher research to understand the intricate relationship between FDI, exports, and sustainable development in the region.

In same context, Ahmed et al. (2020) examined the impact of Foreign Direct Investment (FDI) on export performance in Nigeria. They used Autoregressive Distributed Lag analysis to analyze the relationship between these variables. Despite finding evidence of a long-run relationship between exports, FDI, and economic growth, the study shows that the influence of FDI on exports is statistically insignificant in the long run. To explore the same research topic in a different context, Basilgan and Akman (2019) investigated the impact of Foreign Direct Investment (FDI) on export performance, specifically focusing on the case of Turkey. Using econometric modeling techniques such as Autoregressive Distributed Lag testing and cointegration analysis, the study revealed that FDI has a statistically significant and positive effect on exports. Specifically, a 100 percent increase in FDI is associated with a 39% increase in exports. These studies highlight the importance of considering country-specific contexts when analyzing the relationship between foreign direct investment (FDI) and export performance. Ahmed et al. found no significant impact of FDI on exports in Nigeria, while the study by Basilgan and Akman emphasized the notable positive effect of FDI on exports in Turkey.

Additionally, Bucevska (2014) conducted a study to examine the influence of Foreign Direct Investment (FDI) on export performance in Macedonia and Turkey. The study employed econometric regression analysis to evaluate the effects of factors such as the real effective exchange rate, potential GDP, trade liberalization, and previous export levels. The findings of the study indicated that trade liberalization and previous export levels are significantly associated with enhanced export performance. However, no statistical significance was observed for the real exchange rate and potential GDP. Moreover, although FDI impacted export performance positively, statistical significance needed to be established.

Also, Cabral and Alvarado (2021) investigated the relationship between Foreign Direct Investment (FDI) and export performance in Mexican states, focusing on the manufacturing sector and utilizing static fixed effect estimation and dynamic panel data methods. The study findings revealed that the manufacturing-to-GDP ratio is a crucial determinant of export performance, while FDI significantly impacts exports across all regions in Mexico.

Furthermore, Cheung (2010) employed the panel regression method to explore the Spillover Effects of Foreign Direct Investment (FDI) via Exports on the Innovation Performance of China's High-Technology Industries. This research indicates that foreign-owned companies positively influence domestic firms' innovation performance through knowledge acquisition and competitive dynamics. Moreover, the study highlighted the positive spillover effect of research and development activities conducted by foreign-owned companies in the host country on innovation performance. Additionally, the results underscore the significance of imported technology for the innovation performance of high-tech industries. While Cheung's (2010) study provides valuable insights into the positive spillover effects of Foreign Direct Investment (FDI) on innovation performance in China's high-technology industries, it is essential to consider potential drawbacks such as technology dependency and the displacement of local innovation efforts when analyzing the overall impact of FDI on innovation dynamics.

In addition, the two different studies by Ahmed et al.(2023) in Bangladesh and Gebremariam and Ying (2022) in Ethiopia offer contrasting perspectives on the relationship between Foreign Direct Investment (FDI) and export performance in the two respective countries. Ahmed et al.(2023) have found evidence of a significant long-term relationship between foreign direct investment (FDI) inflows and export performance in Bangladesh. Their research shows that real exports have a positive and unidirectional causal impact on FDI by using the time series analysis and econometric tools to identify structural breaks and examine the dynamic relationships among FDI, exports, and key economic indicators such as gross domestic product (GDP). In contrast, the study by Gebremariam and Ying (2022) yields statistically insignificant results regarding the relationship between Foreign Direct Investment (FDI) and export performance in Ethiopia utilizing an Autoregressive Distributed Lag (ARDL) model and examines time series data from 1992 to 2018. Interestingly, the researchers emphasize the significant impact of real GDP and exchange rate depreciation on export performance, suggesting the existence of other crucial factors beyond FDI.

Kutan and Vukšić (2007) conducted a study to examine the impact of foreign direct investment (FDI) on export performance in 12 Central and Eastern European economies between 1996 and 2004. They differentiated between FDI effects that expand production capacity and those that leverage the advantages of multinational corporations. The findings suggest that FDI enhances export performance in all countries examined, with new EU members experiencing specific export benefits related to FDI, possibly due to increased FDI inflows leading to higher initial productivity. In contrast, Majeed and Ahmad (2007)explored the dynamic relationship between FDI and exports in developing countries. Using pooled time series and cross-section data analysis, they discovered a complementary relationship between FDI and exports, demonstrating causation in both directions. While both studies highlights the varied impacts observed in different regions and economic contexts. Kutan and Vukšić (2007)findings emphasized the positive influence of FDI on export potential in Central and Eastern European economies. While the study by Majeed and Ahmad illuminates the mutual reinforcement between FDI and exports in developing countries.

Koroci and Erjona Deshati (2016) examined the impact of Foreign Direct Investment (FDI) on the trade growth of Albania from 1996 to 2014. Utilizing data from the Bank of Albania, their research examines the relationship between FDI and exports using an econometric tests to analyze the effect of FDI on the development of export quantities. The results indicated a positive influence of FDI on Albania's export performance, particularly in labor-intensive industries. In another study, Kuntluru et al. (2012) investigated the influence of foreign direct investment (FDI) on the export performance of pharmaceutical firms in India. Through panel data analysis, they found that foreign ownership has a negative impact on export performance in the pharmaceutical industry. Foreign-owned firms were found to export less and prioritize domestic demand and host country-specific advantages..

Furthermore, Johnson (2006) Johnson conducted an analysis of foreign direct investment (FDI) and trade flows in eight high-performing East Asian economies. The study aimed to investigate the relationship between FDI and host country exports by using time series regressions and panel data estimation. The findings revealed a complex relationship wherein FDI outflows can act as complements and substitutes for source country exports. Granger causality tests further proved that FDI inflows significantly influence exports, supporting the export-platform FDI strategy commonly observed in East Asian economies. In contrast, Joseph and Reddy (2009) examined the impact of horizontal and backward spillovers from foreign firms on the export performance of domestic firms in the Indian manufacturing industry after the 1991 economic liberalization. By analyzing firm-level data from 1993 to 2008, their findings do not support the hypothesis that domestic firms enhance their export performance through buyer-supplier connections with multinational enterprises.

Goswami and Saikia (2012) conducted an analysis of FDI trends in India from 1991 to 2010. They utilized vector error correction models (VECM) to assess the relationship between FDI and manufactured exports. The findings indicate a bi-directional causality between FDI and exports. Furthermore, the study sheds light on the current state of FDI and exports in the North East Region (NER), highlighting its potential for trade due to natural resources but limited FDI inflows due to infrastructural and other barriers.

On the other hand, Islam (2022) examined the impact of FDI inflows on export performance in Bangladesh from 1995 to 2020 using a Johansen cointegration and Vector Error Correction Mechanism (VECM) methods. The findings reveal a statistically significant positive relationship between FDI inflows and export receipts in the long run. Other variables, such as import payments, exchange rate, and government development expenditure, significantly influence export receipts, indicating an interconnected economic relationship. However, in the short run, the relationship between FDI inflows and export performance needs to be statistically well-established, suggesting further examination of dynamic adjustments over time. While Goswami and Saikia (2012)emphasized the importance of addressing infrastructure barriers to enhance FDI and export potential in specific regions. Islam's (2022) findings underscore the interconnectedness of various economic variables in shaping export performance, calling for nuanced policy interventions for sustainable economic growth.

Similarly, Jawaid et al. 2016) utilized advanced econometric techniques to analyze the impact of foreign direct investment (FDI) on export performance in Pakistan from 1974 to 2012. Their study confirms a statistically significant positive relationship between FDI and real exports in the long and short term. The Granger causality and variance decomposition tests validate a bidirectional causal relationship between FDI and export performance. Interestingly, rolling window analysis reveals periods of negative coefficients for FDI in export models, suggesting a nuanced but complementary connection between FDI and real exports in Pakistan. Likewise, Marantika et al. (2020) examined the relationship between FDI, exports, and economic growth in Indonesia, China, and India through panel data analysis. Their findings demonstrate a substantial positive impact of FDI on the overall economic growth of these countries, underscoring the significance of foreign investment in propelling economic development.

Material and Methodology

This section provides an overview of the methodology utilized in conducting the study, detailing the procedures employed throughout the research process. It encompasses the type of data utilized and their respective sources, along with the model specification and the methods used for data analysis.

1.1 Source of Data

The study utilized panel data encompassing the four selected Sub-Saharan African Countries. The Data were sourced from the World Bank Development Indicators covering 2000 to 2022. Using panel data from these countries ensures a comprehensive analysis of these countries's economic dynamics over the specified period.

1.2 Research variable

The existing theoretical and empirical studies have consistently identified variables such as the real exchange rate(EXG), gross domestic product (GDP), trade openness, and FDI stock as crucial determinants of exports. In line with existing literature, the selection of variables in this study is grounded in empirical evidence, considering them as fundamental factors influencing export performance within the specific context being studied in this research.

Table 1: Research Variables (Meaning, Measurements and Expectation)

Variables	Symbol	Meaning and Measurement	Source	Expectation	Sign
Independent Variables					
Exchange rate	EXG	The exchange rate of domestic currency to USA dollar (Annual average)	World Bank Database	The exchange rate is anticipated to exert a negative influence on exports.	Negative
Gross domestic product	RGDP	The Gross domestic product	World Bank Database	The sign of the coefficient of RGDP is expected to be positive.	Positive
Foreign Direct Investment	FDI	Foreign Direct Investment, net inflows as % of GDP	World Bank Database	The FDI inflow is expected to impact the export performance positively.	Positive
Trade openness degree	TOP	The country's trade openness degree is measured in total trade % of GDP	World Bank Database	The degree of trade openness shows more on export performance	Positive
Dependent Variable					
Export	EXP	The export (as a % of GDP). Annual Export measured in %	World Bank Database	Export is the explained variable in this study	

1.3 Model specification

The study employ panel data regression analysis to examine the relationship between foreign direct investment and export performance and the association between the explanatory variables in the model and explained variable. It utilizes a fixed-effects approach to control for time-invariant country characteristics and year-fixed effects. The mathematical form of the model used in the study is illustrated as follows:

$$EXP = f(FDI, TOP, GDPG, EXG) \quad \ldots\ldots 1$$

$$EXP_{it} = \alpha + \gamma_i + \delta_t + \beta_1 FDI_{it} + \beta_2 TOP_{it} + \beta_3 \ln GDP_{it} + \beta_4 EXG_{it} + \varepsilon \quad \ldots\ldots 2$$

Where γ_i represent the country fixed effect, δ_t referes to year fixed effect, FDI is Foreign Direct Investment, TOP denotes the trade openness , GDP is the gross domestic product and EXG is the exchange rate. β_1 ,β_2 ,β_3 ,β_4 are the coefficients of the explanatory variables while ε is the error term capturing the unobserved variables. We expect β_1 ,β_2 ,β_3 > 0 while β_4 < 0

1.4 Empirical Results

Descriptive analysis of the study

Table 2: Descriptive statistics of the variables

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
EXP	115	32.227	11.672	10.809	61.38
FDI	115	3.354	2.47	-1.703	9.678
TOP	115	67.288	22.464	23.981	125.783
EXG	114	306.016	653.179	.545	2297.764
lGDP	115	24.265	1.323	22.004	26.851

Notes: EXP is the export , FDI: is the Foreign Direct Investment, TOP:Trade Openess , EXG: Exchange rate and lGDP is the gross domestic product measured in logarrith form

The table 2 shows the descriptive statistics of the variables. The average variable export (EXP) during the study period is 32 percent. It ranges from 10.8 percent to 61.37 percent. The average foreign direct investment inflow is 3.35 percent, ranging from -1.7 percent to 9.67 percent. On the other hand, the variable trade openness (TLI) has an average value of 67.2 percent, ranging from 23.9 to 125.78 percent, while the variables. The gross domestic variables (lnGDP) and exchange rate have a mean value of 24.2 and 306, respectively. To illustrate the evolving trends of the explained variable and depedent variable. The two graphs show the FDI and Export trends of four selected countries in this study from 2000 to 2022

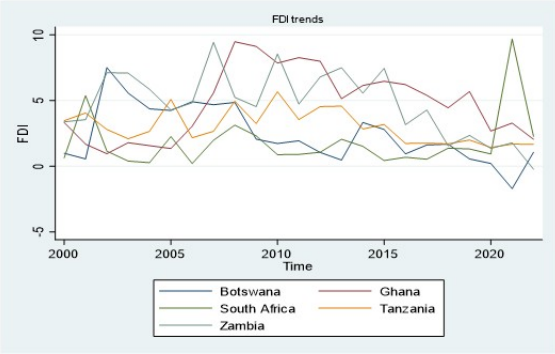

Figure 1: FDI Trend

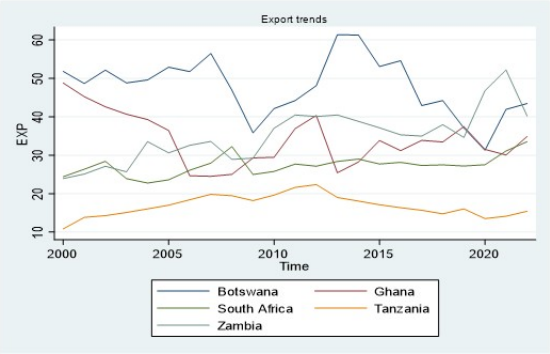

Figure 2: Export Trend

Correlation matrix analysis
The correlation analyses revealed that all the variables positively relate to exports, except the exchange rate and GDP, at initial levels without adding country and year fixed effect. Based on the above correlation test result, the relationship between export performance and FDI shows that the key variables of interest in this study are positively related.

Table 3: Correlation analysis

Variables	(EXP)	(FDI)	(TOP)	(lGDP)	(EXG)
EXP	1.000				
FDI	0.015	1.000			
TOP	0.931*	0.053	1.000		
lGDP	-0.391*	-0.231	-0.467*	1.000	
EXG	-0.617*	-0.096	-0.602*	0.031	1.000

**** p<0.01, ** p<0.05, * p<0.1*

Model estimation result

Table 4: Model estimation result

VARIABLES	(1) Pooled OLS EXP	(2) Random Effect EXP	(3) Fixed Effect EXP
FDI	-0.171	-0.162	0.326**
	(0.185)	(0.169)	(0.132)
TOP	0.462***	0.582***	0.628***
	(0.025)	(0.027)	(0.040)
lGDP	0.176	0.198	10.486***
	(0.317)	(0.378)	(1.534)
EXG	-0.002***	-0.002*	-0.002**
	(0.001)	(0.001)	(0.001)
Constant	-2.091	-2.091	-244.693***
	(8.979)	(10.646)	(37.093)
Observations	114	114	114
R-squared	0.872		0.958
Year FE	No	No	
Country FE	No	No	YES
Number of Country		5	
year FE			YES

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Empirical Result Analysis and Interpretation

This section presents the empirical result based on the regression model. This study examines the relationship between foreign direct investment and other explanatory variables, including trade openness, gross domestic product, and exchange rate. We hypothesized that foreign direct investment, trade openness, and economic growth had positively correlated with the export performance of the sample countries. Conversely, the exchange rate has negatively impacted exports. The study used panel data from 2000 to 2023, utilizing an econometric model of panel regression that includes country and year-fixed effects. According to the empirical result of the regression of the fixed effect model, the variable foreign direct investment has a significant and positive effect on exports. Similarly, trade openness and gross domestic have a positive effect on exports and are statistically significant at a five percent level, while the export performance is negatively and significantly affected by the exchange rate.The empirical result indicates that foreign direct investment, trade openness, gross domestic product, and exchange are key determinants of export of the sample countries throughout the study period.

The positive relationship between foreign direct investment and export performance indicates that Foreign direct investment enhances the export performance of host countries by increasing domestic capital availability, facilitating technology transfers and introducing new products, opening access to larger international markets, and providing training opportunities to improve local workforce skills and managerial expertise. Additionally, the positive association between trade openness and export performance is related to the fact that trade liberation can facilitate international trade, allowing domestic firms to export into a foreign market. Similarly, economic growth is crucial for the country's trade performance by enhancing exports, while the value of the domestic currency against foreign currency has negatively correlated with the country's exports. Hence, the appreciation or depreciation of the local currency can have significant implications for a country's export performance.

Conclusion and Policy Implications.

This paper empirically investigates the effect of Foreign Direct investment on export performance and other control variables such as Trade openness, gross domestic product, and exchange rate. Panel data from 2000 to 202 were used on selected sample countries in sub-Saharan Africa. The empirical findings from the estimated model show a positive and significant statistical relationship between FDI inflows and export performance. Similarly, Trade openness and gross domestic product have a direct positive and significant relationship with export, while the exchange rate has a negative and significant impact on the export performance of sample

countries in the study period. The study's findings validate the hypotheses, revealing that foreign direct investment, trade openness, and economic performance positively influence export performance. Conversely, the exchange rate negatively correlates with exports, shedding light on the complex interplay influencing export outcomes.

The empirical findings of the study yield significant implications for policymakers. To enhance these countrie's export performance, it is imperative to establish a stable and supportive environment conducive to attracting foreign direct investment (FDI). Fostering trade liberalization through active engagement in international trade agreements is essential. Moreover, ensuring sustainable economic growth and maintaining currency stability are crucial steps towards bolstering export performance and the country's economic growth trajectory.

Recommendations for Future Research Directions .

This study provides significant insights; however, certain areas remain underexplored and warrant further research. One key recommendation is to examine the sectorial impacts of foreign direct investment (FDI) spillovers, particularly differentiating between manufacturing and non-manufacturing sectors. Such an analysis could offer a deeper understanding of how sector-specific dynamics influence the absorption and utilization of FDI. Additionally, future studies should investigate the spillover effects of FDI on export performance, focusing on how FDI contributes to enhancing the export capacity of domestic firms and drives export-led growth. Moreover, exploring the mediating role of policy frameworks and institutional quality in maximizing the developmental benefits of FDI would provide valuable policy implications, especially for economies with resource constraints or governance challenges. Lastly, further research could delve into technological transfers, human capital development, and regional or subnational variations in FDI impacts to capture the broader and more localized effects of FDI spillovers on economic development. Addressing these gaps will advance the understanding of FDI's multifaceted role in fostering sustainable growth and inform evidence-based policymaking.

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