

EFFECT OF FOREIGN DIRECT INVESTMENT AND POPULATION GROWTH ON ECONOMIC GROWTH IN SOUTH ASIAN MIDDLE-INCOME COUNTRIES

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1. Introduction

Economic Growth (EG) is the most important indicator that reflects the sustainability of a country. Foreign Direct Investments (FDI) pump capital flows to increase EG. Furthermore, Human Capital (HC) assists in improving the gross domestic production, which is the key indicator of EG. Moreover, Trade Openness (TO) and Inflation(I) were the control variables. This study addresses the unsolved issue of whether FDI and PG affect the EG in South Asian middle-income countries, which was an unsolved puzzle. Therefore, this study attempts to examine the effect of FDI, HC, I, and TO on EG in South Asian Countries.

2. Research Methodology

Yearly data for 12 years from 2009 to 2020 were collected for 6 South Asian countries were used as the sample, and the long panel data analysis techniques: Pooled Mean Group (PMG), Mean Group (MG), and Dynamic Fixed Effect (DFE) were utilized as key techniques. The Hausman test was done to find the best-fitted model.

3. Findings and Discussion

Findings revealed that FDI and TO have a positive long-term effect on EG. However, long-term Population Growth (The proxy for HC) and Inflation show a negative association with EG.

4. Conclusion and Implications

The findings indicated that countries need to focus on attracting more foreign investments and need to engage in more trade openness activities. However, there should be good strategies to utilize human capital for productive sectors and a stable inflation level to achieve sustainable economic growth.

Keywords: Economic growth, Foreign direct investment, Inflation, Population growth, Trade openness