DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN SOUTH ASIAN COUNTRIES: A SYSTEMATIC REVIEW OF THE LITERATURE

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Abstract: This paper aims to study the Literature relating to determinants of foreign direct investment particularly for South Asian Countries, by identifying empirical studies focused on the selected theme. This paper employs qualitative research method through a systematic review of literature, which looks at the terms, 'Foreign Direct Investment determinants' and 'South Asia', aimed at studying the factors influencing the Foreign Direct Investment inflows to South Asian countries. For this purpose, databases like Science Direct, Sage Journals, Emerald Insight and Search Engine Google Scholar were checked with. This paper presents a broad framework on the most recent and relevant research articles on Foreign Direct Investment Determinants of South Asia.

Keywords: Determinants of FDI, Factors influencing FDI inflows, FDI, South Asia, SAARC.

Introduction

Foreign Direct Investment

Investment in a country by individuals and enterprises from other countries is an important facet of international finance. This stream of international finance may take the shape of direct investment (establishment of productive facilities) or portfolio investment (acquisition of stocks). FDI (Foreign Direct Investment) is the result of the common interests of Multinational Corporations and host countries. FDI can be defined as an investment made by a Multinational Firm operating in a country, to acquire an enduring interest in an enterprise operating in another country, usually the host country. FDI is a route, whereby MNCs acquire ownership of assets for the intention of controlling the production, distribution and other allied activities of a firm in another country. FDI plays a key role in the spurt of International Business. It opens up new avenues for a Firm in the host country in the form of new global outreach, international distribution channels, cost-effective production facilities, access to advanced technologies, products, investment and expertise.

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FDI refers to the net inflows and outflows of Investments with the intention of acquiring lasting interest (10% or more of Share Capital) in the Management of an Enterprise, operating in a country other than that of the Company Investing the Funds. FDI primarily comprises of participation in managerial affairs, joint ventures, technology and know-how transfer. FDI has an impact on growth of GDP, job creation, export competitiveness and technological advancement. It has been seen that FDI has been effective in generating employment opportunities in the host country, also make domestic firms more competitive by enhancing management practices and efficiency of the host country. Countries make effort for receiving Foreign Direct Investment, with the notion that it would benefit their economy in various ways. In case of India and China, it has been witnessed that Foreign Investment has contributed to a large extent in their economic growth. FDI also aids in the development of export competiveness of the Countries. Thus, it becomes very crucial for Countries to frame robust FDI policies, so as to utilize the advantages that FDI brings forth to the Country for economic improvement.

Determinants of FDI

A Sound investment climate is imperative for Nations to attract FDI flows. Investment climate is influenced by the performance of Macroeconomics Variables of the Country, sound infrastructure and proper political and economic institutions. If these conditions are not present, then the cost of transaction increases and profits of the Investor reduces. The mere presence of sound macro-economic scenario is not sufficient; it should be complemented by a steady and safe Business environment. Developing economies should ensure proper Monetary and Fiscal Policy Frameworks along with stable exchange rates to facilitate FDI inflows. Stable exchange rates are a prerogative for controlling large fluctuations in exchange rates, which can weaken foreign investment to the host countries. While there are many Empirical studies giving mixed reviews about the fact that FDI impacts economic growth of the host country, there has been evidence of certain country based determinants , which in fact state that FDI leads to better economic growth Alfaro (2003), Borensztein, Gregory and Lee (1995).

Thus, to achieve FDI led economic growth; there has been growing interest about the potential determinants of FDI.

(i) Size of the Market

Potential for huge demand and lower production costs due to economies of scale, of largely populated host countries may be a key driver for attracting FDI inflows to the country.

(ii) Trade Openness

It has been widely promulgated, that openness of Trade leads to better Attraction of FDI into the country. Many of the studies like Kok & Ersoy (2009), Kersan and Skabic (2013) and Noorbaksh & Paloni (2001) have emphasized on the role of Trade openness in attracting FDI to the Host country.

(iii) Inflation Rate

The measure of instability at the macro level is the prevailing inflation rate of a country. Rate of Inflation which is a macroeconomic variable has been considered to influence the FDI inflows to the host country in many empirical studies like Kok & Ersoy (2009), Kersan and Skabic (2013)

(iv) Exchange Rate Stability

Exchange rate is considered to be a vital macroeconomic variable for studying FDI determinants. As per Arbatli (2011) there are two variable associated with Exchange rate: Real Exchange Rate and Exchange rate classification. In case of real exchange rate, there is no statistical significance with FDI. In case of exchange rate classification, dummy variable were used based on IMF's De facto classification and statistically significant results were showed that exchange rate affects FDI inflows.

(v) Clustering Effects

Many of the Empirical studies like Wheeler and Mody (1992) and Campos and Kinoshita (2003) have revealed that Multinational Enterprises (MNEs) tend to form clusters, may be because of connection among ventures or due to grouping, as large FDI flows is considered to be a congenial business environment for MNEs. By forming clusters with other firms, new MNEs gain from useful spillovers from existing MNEs in the host country.

(vi) Political Stability

Appropriate political institutions and stable macroeconomic variables are one of the key determinants of FDI for MNEs. However there are mixed reviews on Political stability as a FDI Determinant. While, Wheeler and Mody (1992) argued that political instability, country's regulatory framework, governance, bureaucratic culture, judiciary etc. is not statistically significant as a determinant for investment decision by U.S based Firms. Whereas, studying the developing economies, Schneider and Frey (1985) suggest that political instability and corruption in the host country affects the FDI inflows. Wei (2000) also opines that corruption does increase a firm's outlay and thereby hinder FDI Inflows.

FDI in Developing Asia

In the year 2018, it was the third consecutive time that the Global FDI Inflows declined, dropping by 13% from 2017 to $1.3trillion as per UNCTAD World Investment Report (2019). US based MNE's repatriated large-scale foreign profits, also rising geopolitical threats, trade tension and apprehension on adopting more protectionist policies at a global level were the key contributors to the downward drift of Global FDI flows. Few other factors like increase in e-commerce trade with reduced involvement of physical assets requirement in FDI and the declining rate of return on foreign investments, has lowered the interest of MNE's for new investments in foreign land. Majority of the decline in FDI flows in 2018, were in the transition and developed economies, by 27% compared to 2017. In contrary, the FDI inflows to developing economies increased by 2% to $706 billion in 2018. Thus, there is a change in the trend of FDI inflows, where FDI flows are increasing in developing economies, whereas a sharp decline is noticed in the developed economies. The major chunk of FDI inflows is captured by the developing economies which commanded around 54% of total FDI flows in 2018 as compared to 47% in 2017. Recently, the role of FDI as an engine of economic growth has been recognized, particularly by developing nations of Asia. The developing economies of Asia attracted around 40% of FDI flows at a global level and 88% of Asia-Pacific region inflows.

FDI in South Asia

In terms of FDI inflows, South Asia has been led by India in inching towards becoming the hub of global growth and contributes around one-third of the world's overall growth by 2040, as per IMF. India majorly drove the surge in FDI Inflows of South Asia in 2019 with an increase of 16% in FDI flows. As per the Global Investment Trend Monitor Report (2019) of UNCTAD, India attracted around $49 billion worth of FDI as compared to $42 billion in the year 2018. FDI inflows to India are majorly concentrated towards the Service Sector, which involves the Information Technology Sector, financial services, communication etc. FDI Inflows to Pakistan and Bangladesh decreased by 20% and 6 % respectively to $1.9 billion and $3.4 billion in 2018. On the whole, FDI inflows to South Asia recorded a 10% increase to $60 billion. As per UNCTAD (2019) in 2018, International M&A deals in South Asia increased by 70% for India, with a surge of $33 billion in 2018 as compared to $23 billion in the year 2017.

FDI Investment and Policy in South Asian Countries in Post-Covid Era (with Special Reference to India and China)

The COVID-19 crisis caused a dramatic fall in foreign direct investment (FDI) in 2020. Global FDI flows dropped by 35 per cent to $1 trillion, from $1.5 trillion in 2019. This is almost 20 per cent below the 2009 trough after the global financial crisis. The impact of the pandemic on global FDI was concentrated in the first half of 2020. In the second half, cross-border M&As and international project finance deals largely recovered. But Greenfield investment – more important for developing countries – continued its negative trend throughout 2020 and into the first quarter of 2021. FDI trends varied significantly by region. Developing regions and transition economies were relatively more affected by the impact of the pandemic on investment in GVC-intensive and resource-based activities. Asymmetries in fiscal space for the roll-out of economic support measures also drove regional differences.

Among developed countries, FDI flows to Europe fell by 80 per cent. The fall was magnified by large swings in conduit flows, but most large economies in the region saw sizeable declines. Flows to North America fell by 42 per cent; those to other developed economies by about 20 per cent on average. In the United States the decline was mostly caused by a fall in reinvested earnings. FDI flows to Africa fell by 16 per cent to $40 billion – a level last seen 15 years ago. Greenfield project announcements, key to industrialization prospects in the region, fell by 62 per cent. Commodity exporting economies were the worst affected.

FDI flows to developing economies decreased less steeply, by 8 per cent to $663 billion. FDI flows to China rose by 6 per cent to $149 billion, mainly because of resilient economic growth, investment facilitation efforts and continuing investment liberalization. Developing Asia, already the largest FDI recipient region – accounting for more than half of global FDI – registered a rise of 4 per cent to $535 billion. However, excluding sizeable conduit flows to Hong Kong, China, flows to the region were down 6 per cent. FDI in South-East Asia – normally an engine of growth for global FDI – contracted by 25 per cent to $136 billion, with declines in investment in all the largest recipients, including Singapore (-21 per cent), Indonesia (-22 per cent) and Vietnam (-2 per cent). The newly signed Regional Comprehensive Economic Partnership (RCEP) became one of the largest FDI recipient groups. In India FDI rose, pushed up by acquisitions in the information and communication technology (ICT) industry, making it the fifth largest recipient in the world. Greenfield project announcements in manufacturing industries registered a 41 per cent decline to $237 billion. In developing economies, where such investments are most important for industrial development, the decline mirrored the global trend, with a 42 per cent fall to $129 billion. Manufacturing projects remained concentrated in Asia ($101 billion).

FDI Policy Changes Post – Covid in India and China

Foreign investors can invest directly in India, either on their own or through joint ventures in virtually all the sectors except in a very small list of activities where foreign investment is prohibited. FDI in the majority of the sectors is under the automatic route, i.e., allowed without any requirement of seeking regulatory approval prior to such investment. Thus, the process to get FDI in most sectors don't require prior approval from the GOI. Eligible investors can invest in most of the sectors of Indian Economy on an automatic basis.

• Now, investments by entities from countries that share a border with India will now require a clearance from the Centre. "A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited. However, an entity of a country, which shares a land border with India or where the beneficial owner of investment into India is situated in or is a citizen of any such country, can invest only under the Government route."

• The new policy blocks the indirect acquisition of investments by entities based in China. With this, change in ownership of the investment will also have to be cleared by the Union government. "In the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction/purview of the para 3.1.1(a), such subsequent change in beneficial ownership will also require Government approval."

- The new Foreign Direct Investment in China consists of 42 articles, a drastic reduction in the 170 articles that these three laws comprised. The new law is called the "Foreign Investment Law."
- Companies that were incorporated under the previous laws will have five years from the implementation of the new regulations to adapt to the new rules.
- Individuals and entities that must comply with the Foreign Investment Law include:

➢ Foreign-invested enterprises

➢ Wholly foreign-owned enterprises

➢ Sino-foreign joint ventures

➢ Investors in Hong Kong, Taiwan, and Macau

➢ Individual foreign investors

The purpose of the new FDI in China is to build an environment of stability, predictability, transparency and fair competition for foreign investors and to encourage foreign investment throughout the world. With the new law, the Chinese government hopes to attract foreign investment and provide greater protection through the legislature. A number of provisions in the new law seek to allow foreign investors to be on a level playing field with domestic companies.

Rationale of the Study

In the early phases of Industrialization, foreign capital played a very significant role. The development issues of developing economies now are distinct from that of advanced countries. Nevertheless, foreign capital flows if properly channeled and utilized, can aid in the development and growth of developing nations around the globe. Foreign capital aids in accelerating the velocity of economic growth, through assisting imports needed for development, boosting the nation's export, technology transfer, improve productivity and augment investments in the nation. The FDI Policy Reforms, acted as a crucial factor in the performance of developing countries. Also FDI outflows have recently become a major topic of discussion in the academic circles as well. Thus, it becomes imperative to study the FDI flows trends and the determinants of inward and outward FDI of developing economies. As per the extensive literature survey on the role of FDI on the economic growth of a country, its role cannot be denied in the progression of developing economies. Vivid policy measures have used by nations to attract FDI inflows. But, not all developing economies could attract substantial FDI. The nature and variations of FDI inflows to Developing Asia and the significance of FDI towards the economic growth of the host country has been recognized in past few years. The lesser developed economies of Asia, still need to attract further FDI.

Policymakers of South Asia have become conscious of the fact that in South Asia, the efforts for reforms in investment and trade includes technological up gradation, production scales and international production linkages through MNCs. In case of South Asian Countries, there are various advantages to offer to MNCs, like availability of abundant natural resources, low-cost labor, steady economic growth, huge domestic market for consumption and investment inducements. Nonetheless, these economies have not been doing well in terms of generating FDI inflows. In this context, this study systematically reviews the Empirical Literature available on the determinants of FDI in South Asia. The analysis of determining factors of FDI shall present with vital policy insights to various Government bodies of developing economies towards attracting FDI.

Objectives of the Study

The following are the objectives of the Study**:**

1. To identify the empirical literature on Determinants of FDI in South Asia based on selected keywords.

2. To validate the Empirical Literature based on the Title and Abstracts of the Articles,

3. To Review the selected Literature based on the Objectives of Study, Methodology and Tools used and Research findings.

Methodology

The methodology used in this study is the Systematic Review of Literature Method. The systematic literature review consists of searching literature, study selection, critical evaluation and data extraction. Published articles on FDI, Determinants of FDI in South Asia were selected, based on their suitability to the topic of this Research Paper. The articles have been searched from Databases of Sage Journals, Emerald Insight, Science Direct and search engine Google Scholar.

The search terms/ keywords used were, 'Determinants of FDI' and 'South Asia'. To obtain utmost relevance, only International Journal publications were chosen to provide the concerned researchers better. Based on the above considerations, the following were collected:

- Emerald Insight – 25 Documents
- Sage Journals – 125 Research Articles
- Science Direct – 25 Research Articles
- Google Scholar – 2100 Articles

The collected articles were individually reviewed and chosen rigorously according to the scope of this research paper. After verifying documents in duplicate through manual search and using the Endnote Software we got 2,273 Research Articles**.** Subsequently, we assessed the title of the Articles and key words to opt for studies dealing with the search terms; 'Determinants of FDI' and 'South Asia' and if an article does not match the keywords; they are deselected and not incorporated for the review. Subsequently, 53 articles were selected for which the abstracts were read and thereafter 21 articles have been read in full for the systematic review. In this section, the researchers aim to present a tabular representation of the selected articles based on the Objectives of the Paper, Methodology and tools used and Findings of the Papers selected.

Systematic Review of Literature

Table 1 about here lists the Empirical Literature reviewed, their objectives, methodology and tools used and findings of the Study:

Sl. No	Literature	Objective of the Study	Findings /Results	Methodology/ Tools
1.	Sahoo, P. (2006). Foreign Direct Investment in South Asia: Policy, Trends, Impact and Determinants. *ADB Institute Discussion Paper No.56*	This paper evaluates the major determinants of FDI in South Asian economies.	Major determinants of FDI in South Asia were found to be market size, labor force growth, Infrastructure index and trade openness.	Econometric Analysis of Panel data using Granger Causality Test.
2.	Shah, M. and Faiz, M. (2015). *Terrorism and Foreign Direct Investment: An Empirical Analysis of SAARC Countries. City University Research Journal,* 5(2): 219-233	This paper aims to explore the impact of terrorism along with other important location variables such as market size, economic growth, exchange rate stability, and infrastructural framework, trade regulations on FDI receipts by the SAARC Economies of India, Pakistan, Bangladesh, Nepal and Sri Lanka.	The results of the study explain a significant impact of market size, trade openness, infrastru-cture and economic growth on FDI inflows in to these SAARC countries. Moreover exchange rate volatility showed negative correlation with FDI inflows. The results revealed that terrorism has statistically signific-ant and opposite relationship with FDI inflows.	The study employed Panel econometric estimation model on annual data from 1980-2012.

3.	Ansari, N. and Khan, T. (2011). FDI and Regional Economic Integration in SAARC Region: Problems and Prospects. *MPRA Paper No. 32365*, Online at https://mpra.ub.uni-muenchen.de/32365/	The aim of this paper is to examine the role of regional integration in South Asia in the promotion of region's trade and FDI flows.	Results indicate that regional integration has the potential to promote FDI and Trade in member countries irrespective of the size and economic growth level. Extensive co-operation among countries is crucial for exploiting this potential. Although SAARC economies have done well in attracting FDI inflows, but there still remains certain challenges.	Systematic Review of Literature and Quantitative analysis
4.	Adhikary, B. (2017). Factors influencing foreign direct investment in South Asian economies. *South Asian Journal of Business Studies*, 6(1): 8-37. https://doi.org/10.1108/SAJBS-10-2015-0070	The aim of this paper is to study the macroeconomic determinants of foreign direct investment for the South Asian Countries of Bangladesh, India, Nepal, Sri Lanka and Pakistan.	The results show that South Asian economies have a number of FDI determinants in common. Like market size and human resources are the two main factors determining FDI flows in these South Asian Countries, with the exception of Nepal.	This study employs fully modified ordinary least squares and two-stage least squares estimation methods.
5.	Irfan, U. and Khan, M.A. (2017). Institutional quality and foreign direct investment inflows:	This paper aims to examine the determinants of foreign direct investment (FDI)	The results inform that real GDP, domestic investment and economic freedom index have	The generalized method of moments technique is employed for

	evidence from Asian countries. *Journal of Economic Studies*, 44(6):1030-1050, https://doi.org/10.1108/JES-10-2016-0215	by focusing on institutional and economic factors among South Asian Association for Regional Cooperation (SAARC), Association of South East Asian Nations (ASEAN) as well as Central Asian countries over the period 2002-2014.	a positive and considerable effect on FDI inflows in the SAARC region, while governance index and labor have a negative effect on FDI flows. Also in case of Central Asia, real GDP, domestic investment and governance index have positive effect on FDI inflows, while economic freedom index has no significant impact on FDI inflows.	analyzing the impact of institutional quality on FDI inflow by controlling for the effect of market size, domestic investment and labor force.
6.	Srinivasan, P. (2011). Determinants of Foreign Direct Investment in SAARC Nations: An Econometric Investigation. *The IUP Journal of Managerial Economics,* 9 (3): 26-42	This paper aims to explore the determinants of Foreign Direct Investment (FDI) in selected South Asian Association for Regional Cooperation (SAARC) countries for the period 1970-2007.	The empirical results show that market size, GDP per capita, trade openness, infrastructure facilities, inflation rate, degree of risk and uncertainty are the most crucial FDI determinants of SAARC Economies.	The study employs fixed effects and random effects models
7.	Pradhan, R. P. (2011). Determinants of Foreign Direct Investment in SAARC	This paper examines the determinants of foreign direct investment in seven SAARC	The paper reveals that foreign direct investments are mostly influenced by economic growth, exchange	Panel VAR Model

	Countries: An Investigation Using Panel VAR Model. *Information Management and Business Review*, *3*(2), pp. 117-126.	countries over the period1980-2010.	rate, inflation, labor availability, trade openness, balance of Payments and outstanding loans. The effect of Exchange rate and GDP are bidirectional in nature, whereas other factors are unidirectional with FDI inflows.	
8.	Jha G.M., Agrawal A., Gupta A. and Mishra A.K. (2013). "Determinants of FDI in South Asia", International Research Journal of Social Sciences, Vol. 2(1), pp 1-6.	The aim of this paper is to understand the various factors determining the FDI flows to the South Asian Economies like India, Bangladesh, Pakistan, Sri Lanka, Nepal and Maldives were considered for the study. Factors like GDP, Direct Investment, Trade Openness, Real Effective Exchange Rate, Interest Rate and Labor are the factors taken into consideration. The time period of the study is 1990 to 2010.	The results show that Trade Openness, GDP and Foreign Direct Investment have a positive impact on FDI whereas Labor had a negative influence. These results can be justified by studying the political and economic developments over the past 20 years.	OLS regression on the collected data of the six countries being considered.

9.	Bhavan, T., Changsheng Xu and Zhong, C. (2011). "Determinants and Growth Effect of FDI in South Asian Economies: Evidence from a Panel Data Analysis". International Business Research, Vol.4, pp. 43-50.	This paper aims to investigate the determinants and growth effect of FDI in case of four South Asian countriesover the period of 1995-2008	The results derived from the paper suggest that: (1) the pulling, pushing and cyclical factors are critically important in determining FDI in South Asian countries; (2) Also GDP is a significant factor and positively associated with FDI inflows.	Panel data was used and employed Arellano-Bond dynamic panel system method of moment estimator.
10.	Tahir, M., Hasnu, S. and Ruiz Estrada, M. (2018). Macroeconomic determinants of trade openness: empirical investigation of SAARC region. *Journal of Asia Business Studies*, 12 (2): 151-161. https://doi.org/10.1108/JABS-12-2015-0207	The purpose of this paper is to examine the impact of macroeconomic determinants on the trade openness of countries. The study focuses on the South Asian Association for Regional Coope-ration (SAARC) member countries and the data used were from 1971 to 2011.	The main result of the paper is that macroeconomic variables such as investment both in physical and human capital and GDP positively affect trade openness. Additionally, the size of labor force and currency exchange rate has negatively affected trade openness.	Panel data econometrics techniques and two stages least square method (TSLS) are used to carry out empirical analysis and robustness testing.
11.	Teulon, F. and Guesmi, K. (2013). Determinants Of Foreign Direct Investments In	This paper aims to study the relation-ship between Foreign Direct Investment inflows and their determi-nants in six major	The findings show that there are common variables of economic significa-nce among the examined countries.	Using panel data techniques, including panel unit

	The South Asian Association For Regional Cooperation, *Journal of Applied Business Research*, 29 (6): 1791 -1798,DOI:	countries in the South Asian Association for Regional Cooperation (SAARC) over the period 1998 to 2010.	Macroeconomic variables, such as trade openness, GDP growth rate, currency exchange rate have noteworthy impact on the FDI flows to these countries.	root and panel cointegration tests.
12.	Zafar, M. (2013). The Determinants of Inward FDI in SAARC Countries: Evidence from a Time Series data Analysis. *Journal of Economics and Sustainable Development*, 4(5): 105-114.	This paper aims to examine the impact of economic, social and political factors on inward FDI into Pakistan, India and Bangladesh using time series data for the period 1991-2010.	The empirical results showed some similarities and differences between the selected countries. Trade openness is a positive and significant determinant of FDI inflows in Bangladesh and Pakistan. For India, infrastructure is statistically significant but is insignificant in case of Pakistan. Infrastructure has impact for India but not for Pakistan.	Linear regression model is used to analyze the Explanatory variables on dependent variable s of Pakistan, India and Bangladesh during the study period.
13.	Rasheed, Q. (2019). Macroeconomic Factors Of FDI Inflows In Asian Economies: A Study Of 14 Asian Countries. *International Journal of Advanced*	This paper aims to analyze the relationship between foreign direct investment and macroeconomic factors, which were affecting foreign direct	The outcome of the simple regression found that GDP, trade openness, and exchange rate have a significant impact on foreign direct investment inflows in China, Indonesia, Jordan, Pakistan,	Simple regression method used for each economy individually to determine the foreign direct investment inflows and

	Research, 7(2): 289-300	investment in Asian economies over the period of 2003 to 2017.	and Vietnam. While, labor cost and tax rate have positive significance to foreign direct investments in Hong Kong and Philippines.	the fixed effect model applied in order to predict the foreign direct investment inflows into the overall Asian economies.
14.	Kumar, G., Dhingra, N. and Saihjpal, M. (2012). Determinants of FDI Inflows to Developing Countries of Asia. *Arthshashtra: Indian Journal of Economics and Research,* 1(2).	This paper aims to identify the core economic factors affecting the FDI inflows to the developing countries of Asia by making use of the Exploratory Factor Analysis Technique.	The results indicate that the core economic factors influencing the FDI inflows to the developing countr-ies of Asia are-the economic strength of the state, infrastructure level, market size, skilled labour, advance technology. If host economies can provide the above, MNCs would be interested to invest.	Principal Component Analysis (PCA) was followed after making sure the adequacy of data with the aid of correlation coefficient matrix, Kaiser-Meyer-Oklin index and Bartlett's Test of Sphericity. PCA is done with Varimax Orthogonal Rotation.
15.	Quazi, R. and Mahmud, M. (2006). Determinants of Foreign Direct Investment in South Asia. https://www.research	The aim of this paper is to study factors, both economic and non-economic, which drive the flows of FDI in South Asian countries.	Employing panel data from the year 1995 to 2000, this study finds that economic freedom, economic openness, economic affluence, human resource significantly increase	GLS method with correcti-ons for hetero-scedasticity and autocorre-lation.

	gate.net/ publication/ 237345580		FDI inflows whereas political unsteadiness significantly lowers it.	
16.	Azam, M. et al. (2011). Institutional And Macroeconomic Policy Factors On Foreign Direct Investment: South Asian Countries Case. *African Journal of Business Management,* 5 (11): 4306-4313	The aim of this paper is to scrutinize the role of institutional factors and macroeconomic factors on FDI inflows of Pakistan, Bangladesh, India, Afghanistan, Srilanka, Maldives and Bhutan for the period of 1996 to 2007.	The results reveal that good institutional quality plays a key role in attractiveness of FDI inflows. An inadequate macroeconomic policy situation produces negative impact on FDI.	For Panel Data Analysis, the political and institutional variables used were Accountability and voice, corruption, political stability, terrorism, governance and legal and regulatory framework.
17.	Shah, M. and Afridi, A. (2015). Significance of Good Governance for FDI Inflows in SAARC Countries. *Business & Economic Review, Institute of Management Sciences, Peshawar, Pakistan,* 7(2): 31-52.	This paper evaluates the significance of good governance for FDI inflows in SAARC countries for the period of 2006 to 2014.	The results illustrate that political stability and regulatory quality significantly and positively affect inward FDI flows. On the opposite, incidence of corruption discourages MNCs to invest in SAARC countries. Also determinants like market size and development indicators exercise their positive influence as well.	Random effects panel estimation technique

18.	Ali, M. (2017). Governance, Competitiveness And Economic Performance In Attracting Foreign Direct Investment Inflow In SAARC And ASEAN Countries. *Journal of Community Positive Practices, Catalactica NGO,* (4): 20-40.	This paper studied the global competitiveness and human development indicators as factors affecting FDI inflows by employing cross sectional data of 70 FDI receiving countries and implication for SAARC and ASEAN Countries.	The non-economic perfor-mances of both SAARC and ASEAN countri-es suggest that the countries do have better governance in terms of govern-ment effective-ness, property rights and corruption control and political steadiness can attract better FDI.	Multiple Regression analysis
19.	Quazi, R. (2014). Corruption and Foreign Direct Investment in East Asia and South Asia: An Econometric Study. *International Journal of Economics and Financial Issues,* 4(2): 231-242.	This paper aims to study the impact of corruption on FDI inflows in East Asia and South Asia for the time period 1995 – 2011.	Results reveal that after accoun-ting for the economic funda-mentals, East Asia seems to enjoy locatio-nal advantage in attracting FDI compared to South Asia. The effect of corrupt-ion on FDI is significan-tly negative and strong.	Using GLS methodology with 1995-2011 panel data.
20.	Çevis, Í, & Çamurdan, B. (2007). The Economic Deter-minants of Foreign Direct	The purpose of this paper is to empirically estimate the economic deter-minants of FDI	Results shows that the main determina-nts of FDI inflows are the inflation rate, the interest rate, the growth rate,	Generalized Least Square method is used after conducting Lagrange

	Investment in Developing Countries and Transition Economies. *The Pakistan Development Review*, 46(3): 285-299.	inflows in 17 developing and transition economies for the period of 1989 – 2006.	and the trade (openness) rate.	Multiplier (LM) test.
21.	Kamal, M. et.al (2014). What Determines China's FDI Inflow to South Asia? *Mediterranean Journal of Social Sciences*, 5 (23): 254-263, Doi:10.5901/ mjss.2014. v5n23p254	This study aims to investigate empirically the determinants of China's outward foreign direct investment for five South Asian economies (Bangladesh, India, Nepal, Pakistan and Sri Lanka) over the period 2003 to 2012	Findings suggests macroeconomic variables such as infrastructural facilities, inflation, bilateral trade, market potential and trade openness have significant and positive impact on FDI inflow. Also corruption level is vastly significant and negatively linked to inflows of Chinese FDI.	POLS method is used for estimation of model after conducting Haussmann specification and Lagrange Multiplier (LM) tests.
22.	Jadhav P. (2012). Determinants of Foreign Direct Investment in BRICS Economies: Analysis of Economic, Institutional and Political Factor. Social and Behavioral Sciences, 37, 5-14.https:// doi.org/		The data cover the period of 1996-2019 and are extracted from UNCTAD and World Bank databases (WDI, 2019; WGI, 2019). A dynamic model with individual effects is estimated in four partially homogeneous panels using the one-step	The results obtained show that 1) forest resources have a beneficial but negligible effect on FDI inflows in Sub-Saharan Africa; 2) oil and mining resources have significant and negligible adverse effects

	10.1016/j.sbspro.2012.03.270		generalized method of moments	on FDI inflows in Central Africa and West Africa, respectively; and 3) oil and mining resources, in contrast, have significant and negligible positive effects on FDI inflows in Southern Africa and East Africa, respectively. Regarding the development of the forestry industry in Sub-Saharan Africa, the strengthening of political stability and control of corruption in Central and West Africa and the strengthening of corruption control in Southern and East Africa are the main economic policy implicat-ions.
23.	Rathnayaka Mudiyanselage MM, Epuran G, Tesca'iu B. Causal Links between Trade Openness and Foreign Direct Investment in Romania. Journal of Risk and Financial Management. 2021; 14(3):90. https://doi.org/10.3390/jrfm14030090	This paper investigates the causal relationship between trade openness and foreign direct investment (FDI) inflows in Romania during the period 1997–2019.	Throughout this study, Trade Openness is the main indepen-dent variable, and Gross Dom-estic Product (GDP), Real Effective Excha-nge Rate (EXR), Inflation (INF), and Education (EDU) act as control variab-les for investiga-ting the relation-ships between trade openness	Trade openness has negative and statistica-lly significant long-run and short-run relation-ships with FDI inflows in Romania through-out the period. Trade openness negatively affects the FDI inflow, which suggest that the higher the level of openness is, the less likely it is that FDI will be attracted in the long run. The result of the Granger causality test indicated that Romania has a unidirectional relation-ship between trade openness and FDI. It also showed that the direction of causality ran from FDI to trade openness.

			(TOP) and FDI inflow in Romania. The Auto Regressive Distributed Lag (ARDL) Bounds test procedure was adopted to achieve the above-mentioned objective.	
24	Ashurov S, Othman AHA, Bin Rosman R, Bin Haron R (2020) The determinants of foreign direct investment in Central Asian region: A case study of Tajikistan, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan (A quantitative analysis using GMM). Russian Journal of Economics 6(2): 162-176. https://doi.org/10.32609/j.ruje.6.48556	This paper investigated and identified the determinants of FDI in the Central Asian countries, specifically Tajikistan, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan, between 2000 and 2017.	The methodology employed in the first part included comp-arative analysis of the foreign investment trends and gross domestic product (GDP), as well as an endogenous growth model.	The result showed that five variables are robustly significant of FDI determinants: FDI (previous year), GDP, labor force, trade openness and tax. Additionally, this paper demonstrates that among the most significant FDI contributors are China, Russia and Japan as well as European countries because of the economic opportunities available; however, the USA is considered by Central Asian countries to offer the most opportunities for security control considerations rather than economic opportuni-ties. Furthermore, the results suggest that the authorities in the Central Asia region should enhance the stability of their economic growth, labor force, trade openness and tax regulations to attract more FDI to the region.

Findings and Discussion

- **Keywords** quoted in the selected research articles are: Determinants of FDI, FDI, Macroeconomic Policy, Institutional Quality, Macroeconomic variables and Institutional variables, Regional Economic Integration, SAARC, South Asia and Trade Openness.

- **Research Location and Contributing Authors:** Empirical Literature reviewed had 45 contributing authors, belonging to 6 different countries. The list provided in Appendix 2 shows the names of the Author's countries that were repeated more than once.

- **Publication Period:** The reviewed articles were published between **year 2006 to 2019** and in the year 2011, majority of the studies were published followed by 2013 and 2017.Reviewed 21 articles were published in 18 journals.

- Majority of the studies cover the **time frame** of 1990 to 2012 for Panel Data collection.

- Out of the 21 articles reviewed, almost all the research studies have used Panel Data for the South Asian countries for econometric analysis of FDI Determinants. Only one article employs systematic review of literature to study FDI Determinants for SAARC countries.

List of Country of origin of Authors

Country	Number of Authors
China	05
France	02
India	13
Pakistan	14
USA	03

The **Econometric Models** used by various researchers for studying FDI Determinants in SAARC countries and South Asia are: Ordinary Least Square (OLS) Regression Analysis; Generalized Least Square (GLS) method after using Haussmann specification and Lagrange Multiplier Test; Principal Component Analysis (PCA) with Varimax Orthogonal Rotation; Panel VAR Model, Panel Fixed Effects and Random Effects Model; Multiple Regression Analysis, Granger Causality test.

Conclusion

Since the last two decades, FDI inflows to developing and emerging economies have increased a great deal. But compared to the other Developing nations, FDI Inflows to South Asia countries have been relatively low. Thus, the importance of understanding FDI flows to South Asian countries is crucial. FDI inflows to any economy depend on its rate of return on investment and the risks associated with it for the investing

MNCs. Hence, MNCs make a comparison of their return on investments and risks associated with various investment destinations. The outlook towards a host country by investors is affected by a bevy of Infrastructural, political, socio-economic factors. Before making any investment decisions, MNCs always reflect on the host country Policies relating to governance and accountability, labor, trade, availability of social and physical infrastructure of the host country. Determinants like geographical location of a country, availability of natural resources and size of the market are mostly outside the purview of control of the Country. But, countries can work upon their macroeconomic variables to maximize their economic potential and to create a favorable investment climate for investors to attract FDI inflows. Economic variables like exchange rate stability, controlled inflation and stable economic growth influence the FDI inflows received by a country.

This research paper presented a theoretical framework on the factors influencing FDI inflows to the region of South Asia, through a systematic review of empirical literature. This research papers aimed at understanding the macroeconomic variables, policies and other institutional factors with special reference to South Asia. The rationale behind this research paper was to be aware of the determinants of FDI flows particularly for South Asia and highlights the need for South Asian policymakers to frame FDI Policies for their respective countries utilizing the economic potential and attract better foreign investments.

Conflict of Interests

I/We declare/s that there are no conflict of interests that are directly or indirectly related to this research work.

Funding

I/We have not received any financial support from any organization to undertake this study.

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