



Foreign Direct Investment and Sustained Economic Growth: Literature Based Findings and Directions

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Abstract: Economic sustainability has always been focused on sustained growth. Economic sustainability refers to practices that foster economic growth without hampering environmental, social, and cultural aspects. Amongst practices, the current study uses foreign direct investment to check its role in attaining sustained economic development. This study is a synthesis of theoretical and empirical research papers to understand and conceptualize foreign direct investment contributions to sustained economic development and the reasons for the disproportionate benefits of foreign direct investment for recipient economies. Our analysis showed that foreign direct investment-driven economic development is heterogeneous across host countries; yet in nearly all cases, it stimulates economic activities via efficiency enhancement. However, these enhancement mechanisms relate to the local conditions which is one of the reasons why few countries benefit from foreign direct investment while others do not. For country-level inconsistencies in foreign direct investment-related benefits, academicians are advised to separately investigate social capacities and foreign direct investment mechanisms in a host country. These two elements are found to play an important role in determining the absorptive capacities of a host country. The research also suggested that the policy priorities of the host government determine potentially suitable economic sectors for foreign direct investment. Hence, one may look at the patterns of foreign direct investment flows to different economic sectors to see whether the host government prioritizes international R&D-related investments in the tech industry or prefers foreign ownership in strategic industries. The literature-based framework of the current study may serve as a guide for academia and researchers in the field.

Keywords: Foreign direct investment; economic sustainability; economic growth; efficiency enhancement; spill-over.

Introduction

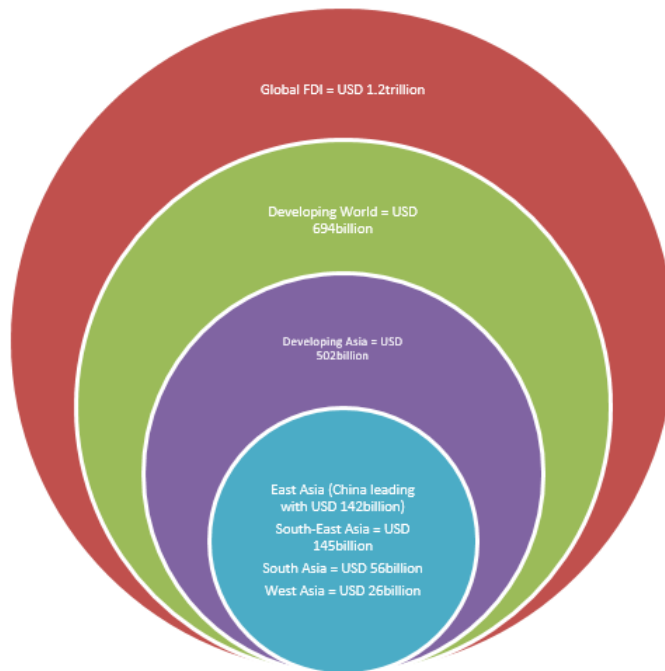
The triple bottom line (TBL) approach sketches a comprehensive view of sustainability from economic, environmental, and social perspectives. Globally, the United Nations is encouraging its affiliate countries to embark on the acceptance, execution, and realization of sustainable development goals (SDGs). Among the three sustainability layers, the economic aspect is the most debated yet less universally agreed sustainability agenda. Economic sustainability is concerned with the business of staying in business and it is

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integrally connected with the long-run socio-environmental outcomes of business decisions (Doane & MacGillivray, 2001). From a national perspective, economic growth is an indicator of economic activities planned and executed in a country. Ideally, a government achieving more sustained and higher economic growth is likely to be more economically sustainable (Jänicke, 2012). One way to achieve sustained growth is to ensure a smooth and continued influx of funds into the economy where foreign direct investment (FDI) is a buzzword.

Figure 1
Global Flow of FDI



The inflow of funds from different parts of the world into the host economy is called FDI. The external inflows in the financial instruments of the host country are not included in FDI. Inflow from FDI is mostly long-term in nature and mainly occurs for expansion, acquisition, merger, and/or entirely new entry of firms in the host country. FDI has significantly grown around the globe emerging as an important driver of economic growth, for it is long-term in nature, in developing and less developed countries (Alfaro, Kalemli-Ozcan, & Sayek, 2009; Herzer & Klasen, 2008; Tripathy et al., 2022). In the last two decades, an increasing number of greenfield projects and cross-border mergers and acquisitions (M&A) have proven to be a valuable vehicle of FDI flows to developing countries. In FY2018, global FDI worth US\$ 1.2 trillion was recorded with sources and recipients of FDI in developed as well as developing economies (UNCTAD, 2019). While developed economies were concerned with the issues of economic absorption capacity and a 40%

(estimated US\$451billion) decline in FDI inflows (due to repatriation of foreign earnings and tax reforms), developing economies became the largest recipient of world FDI worth \$694billion (Figure 1). In the global FDI segment, developing economies witnessed a 3% increase by growing their FDI share to 58%. Among these emerging economies, developing Asia was a hot spot for global FDIs with a 5% increase in FDI flows to the region (Dentinho & Silva, 2017)..

Earlier studies on FDI-economic growth in developed and developing economies have produced volumes of discussion based on empirical and theoretical evidence to understand the long-run impact of FDI on economic development. For example, studies examined FDI-driven economic growth in the Czech Republic, Latin America, Estonia, South-east Europe, Tunisia, Central and Eastern Europe, and Eurozone. The latter group was focused on investigating FDI-growth nexus in China, Africa, Philippines, Malaysia, Turkey, MENA region transition market economies, Post-communism transition economies, Taiwan, ASEAN countries, Ghana, Mexico, Pakistan, bi-lateral FDI inflows in Asian economies, FDI and environmental quality in China and developing countries. Earlier studies, however, have suggested disagreement among the researchers about the long-run impact of FDI on economic growth either due to contextual factors (such as cross-country differences in the regulatory environment, business/economic freedom, and primary dependence on export) or variations in the analytical approach, time dimensions (such as panel data and time series) and datasets (Bengoa & Sanchez-Robles, 2003; Herzer, 2012). Few studies proposed that FDI has positive effects (Bengoa & Sanchez-Robles, 2003; Djankov & Hoekman, 2000; Javorcik, 2004) on economic growth in developed and developing economies, respectively. The empirical results were inconclusive about the varying magnitude and direction of FDI effects. A probable reason for mixed results is confusing knowledge of the type and role of different mechanisms through which FDI effects on growth and development are observed.

In addition to these conflicting findings, the existing literature seemed to be less evident in investigating economic development. Instead, most of the studies were found to be concentrated on one component i.e., economic growth. Compared to economic growth, economic development is more focused on the sustainability features of an economy. This study is an attempt to bridge the knowledge gap by finding answers to the following key research questions from the extant literature:

1. Does FDI help to attain sustainable economic development?
2. In the developing world, why do few economies benefit from FDI while others reap little or no benefits?
3. In the host country, what is the criterion for attracting FDI, and what are its determinants?

Consequently, this study contributes to the existing body of knowledge in several ways. Firstly, this study provides a rationale and explanation for conflicting findings. Secondly, this study indicates efficiency enhancement as a mechanism through which FDI effects on economic development can be witnessed in developing economies. Thirdly, this

study extends the previous literature by pinpointing the domestic conditions of a host country and their absorptive capacity as the differential factors to answer the disproportionate benefits of FDI for recipient economies.

The rest of the paper is organized as follows: Section II is a review of the literature, section III is the methodology, and section IV is a discussion and conclusion.

Literature Review

FDI and Economic Growth and Development

The theory of international economics has well illustrated the factors such as availability of resources, fiscal incentives, and low labor costs attracting FDI towards a host country. Typically, foreign investors choose to invest in a host country for any of three reasons: (i) Seek resources (ii) Seek market (iii) Seek efficiency. For a host country, seeking efficiency is a relatively favorable mode of foreign investment as it not only brings capital but also means to enhance economic efficiencies in the long run. The first type of FDI is also termed export-oriented or vertical FDI. The unavailability of natural resources or critical resources in the home country is the underlying reason driving resource-seeking investments in the host country. The second type is horizontal FDI where investors seek to enter a host market that they can serve by replicating production. Market-seeking FDI are focused on serving local markets depending on the market growth, market size, transportation costs, and tariff policies of the host country. The third type is efficiency-seeking FDI aimed at achieving economies of scale and economies of scope in geographically dispersed areas (Demirhan & Masca, 2016). However, these reasons not only vehicle the means of capital accumulation for a host country but also a combination of technology and business organization transfer (Armas & Rodríguez, 2017). In a host country, FDI not only transforms the economy through better-paying jobs, innovation, and higher productivity but it also improves labor conditions and delivers better infrastructure to local communities. In earlier research, FDI is claimed to play an eminent role in enhancing economic stability and competitiveness while adding value to domestic firms. In this manner, does FDI lead to economic development?

Literature has contended the positive effects of FDI on the development of its recipient economy (Alfaro et al., 2009). According to development theory, FDI can have direct and indirect effects on the development of a host economy through efficiency enhancement. These enhancements are often termed as externalities in the form of knowledge spillover, technology transfer, human development, and skill development.

FDI plays a fundamental role in the economic development process by allowing the modernization of specific productive systems (Armas & Rodríguez, 2017). When foreign firms enter the host country with the intent to expand, they may do so by emphasizing innovation and developing non-existing assets to raise the competition bar. In defense, local firms may activate to adjust their strategic priorities and move to protect their profits and market shares. Research showed that the technological capability of domestic firms to adapt and the local conditions of the host country determine the extent to which

technology spillover prevails in a market (Ahmed, 2012). In general, MNCs operating with multi-destination are technologically sophisticated. Unlike local firms, MNCs are more developed as these firms dedicate significant amounts of investments to research & development (R&D). A way to lead technology transfer to the host country is to link backward with suppliers or the same industry firms that offer complementary or supplementary products, the degree to which R&D is internationalized in the host country, and the extent to which skilled labor migrate.

Knowledge spillover is another externality produced by FDI in the form of innovation and knowledge diffusion in the host country. This may also include improvement in the production capacity, R&D, and diffusion of organizational skills such as productive, commercial, technical, and marketing (Armas & Rodríguez, 2017; Kim, Maskus, & Oh, 2014). MNCs are recognized as the leading source of transferring managerial practices and advancing technologies across countries. Their deployment of new production processes and new managerial and marketing practices can be a source of knowledge spillover. However, these externalities are likely to be inter-industry (vertical) rather than intra-industry (horizontal) as MNCs are less likely to share information with potential competitors but the local suppliers. Hence, forward, and backward linkages in industry between MNCs and domestic firms (both supplier and clients) are the channels through which FDI externalities manifest themselves.

The process of creating a better economic environment can be facilitated by FDI. If the recipient of FDI meets the minimum requirement of development in three areas i.e., infrastructure, technology, and education then the host economy is likely to witness FDI-driven economic growth. In the case of developing economies, FDI is recognized as a stable component of capital flow that vehicles technological progress in the host country via utilizing and disseminating improved techniques of production (Bénassy-Quéré, Coupet, & Mayer, 2007). FDI is said to be a foreign investment choice with a long-run horizon that facilitates the investment objectives of recipient and sourcing economies. However, it is argued that the only countries to benefit from FDI are the ones that make strong investments in human capital development, with established financial sectors. FDI is reported to have a long-lasting impact on the GDP of a host economy. In the long run, FDI spillovers accelerate economic growth by ensuring knowledge transfer, technological diffusion, improvement in the quality of human capital, and development of managerial skills (Bénassy-Quéré et al., 2007; Jude & Levieuge, 2017).

FDI affects directly as well as indirectly the development and enhancement of human capital in a country (Armas & Rodríguez, 2017). Since MNCs are required by local authorities to demonstrate a qualified labor force and to assume the responsibility for enhancing human capital; hence, MNCs invest in training and development (T&D). Training is one of the ways to upgrade the managerial and technical skills of labor in the host country and it has multiplying effects. For example, skilled labor may use newly acquired training-driven knowledge to start up a new business; thereby transmitting this knowledge to newly started firm employees. Gradually, with a chain of events, this knowledge will be transmitted across different firms and sectors of an economy, and it is expected to form human capital that leads to better economic activities. The growth impact of FDI is also dependent on the level of education and the set of labor skills available in the host

country. If the host country has less educated labor with a low set of skills, then it is less likely to access, learn, and apply the knowledge transferred by MNCs. With increasing globalization, MNCs are eyeing emerging economies that offer labor abundance and/or superior labor skills. Thus, it is one of the ways to attract FDI; however, ignorance of enhanced human capital and related consequences may lead researchers towards unreal effects of FDI on growth (Forte & Moura, 2013).

In line with the literature, the response to the first research objective can be outlined as a two-fold task to be accomplished by an FDI-host economy to reap FDI-driven economic growth. The first task is to create a lucrative environment for attracting FDI. The second task is to convert the attracted FDI into economic benefits through the utilization of appropriate FDI mechanisms and improved social capacity.

FDI Stimuli

Countries opening doors for international trade and foreign investment are found to report positive spillovers (Mohsin, Ullah, Iqbal, Iqbal, & Taghizadeh-Hesary, 2021). Trade policy deployed by the host country is crucial for exploiting FDI as a driver of economic growth. In an ideal situation, FDI is likely to stimulate economic growth if the trade policy of the host country encourages exports by enabling a competitive and free market.

A country's ability to attract FDIs integrate it into the global economy by increasing the flow of foreign trade i.e., import and export. Availability of resources (human and natural) increases FDI-driven exports by serving as a platform for MNCs to penetrate local markets where local firms either become multinational sub-contractors or suppliers. Access to market information and the creation of infrastructure for logistics also creates opportunities for local firms to enter the foreign market (Forte & Moura, 2013). With MNCs entering a host country, competition rises due to which FDI helps improve the capital accumulation and factors of production. Increased competition urges local companies to invest in better equipment, human resource development, and R&D for innovating their products and services to retain and/or gain additional market share. However, an increase in competition may also have adverse effects on the survival of local companies. For example, if MNCs acquire potentially dominant market share then the local firms are likely to be under crowding out effect.

FDI and Absorptive Capacity

FDI does not automatically affect economic growth rather its impact is chained through the absorptive capacity of local companies. The term can be defined as the ability of domestic firms to respond to new technologies and new entrants by obtaining, acquiring, and exploiting knowledge from the environment (Ahmed, 2012; Zhao et al., 2022). The absorptive capacity is, however, conditioned by the social capacity or domestic conditions of a host country. These domestic conditions can be identified as the regulatory environment and socio-political conditions that promote or hinder technological level, human capital, infrastructure, institutional quality, degree of economic openness, and the scale of competitiveness in an (Alfaro et al., 2009; Alguacil, Cuadros, & Orts, 2011). In research, Kim

et al. (2014) reported strong positive effects of FDI in countries with low general human capital, inadequate institutional support, and frail political stability. In another research, Gorodnichenko et al. (2014) claimed that institutional environment such as red-tapism, corruption, and development level leads to spillover as it affects ownership structure and the quality of FDI.

In case the technological gap is widened, the absorptive capacity of local firms is lowered; hence, local firms are unable to grow by copying and/or absorbing new technologies. In developing countries, the low absorptive capacity of local firms is expected to lead to negative horizontal spillover. It may also indicate that the host country has a less attractive physical infrastructure and human capital for FDI. Thus, the availability of sufficient human capital is also indicated as a requisite for a domestic firm's ability to obtain, adapt, apply, develop, and improve advanced technologies (Alguacil et al., 2011). In the literature, a host country may only reap the associated benefits of FDI if it has a minimum infrastructure level and well-functioning financial markets (Forte & Moura, 2013).

DI and Host Country's Policy Priorities

An international economic system, FDI is not only recognized as an integral component of an open economy, but it also catalyzes development in host economies (OECD, 2002). Despite this, FDI-driven benefits are not evenly and automatically accrued across economies, sectors, and local industries. In this regard, the national policy of the host country, as well as the architecture of international investment, is argued to set the stage for attracting and reaping FDI-driven benefits to its fullest. There is often observed clash between FDI-driven economic benefits and FDI-related consequences such as losing national sovereignty and/or control over scarce natural resources and critical domestic assets. In the case of foreign-controlled domestic industries, the sensitivity of the issue becomes even more severe and calls for policy prioritization to safeguard control over and ownership of domestic natural resources. For instance, Golub (2003) reported 1980s widespread concerns about the adverse effects of surging Japanese FDI flows on the national security and control of the domestic industry in the US. Given such severe consequences of proportionate or disproportionate flows of FDI, what is the criterion for attracting FDI in a host country?

In their study of FDI flows to Vietnam, Wang et al. (2016) investigated selective criteria to attract FDI. Their results showed that major criteria for attracting FDI include domestic supply capacity, human resources, innovation & technological development, and institutional & legal criteria (Wang, Wang, & Nguyen, 2016). In other words, it is the policy priority set by the host government when attracting foreign investment. According to the policymaking views, a host country may facilitate FDI either in the public interest or private interest. The former view seeks policy initiatives to encourage and maximize social welfare; however, this view has recently gained attention with the World Bank and UNCTAD's emphasis on FDI-driven sustainable development in developing countries (Mujtaba & Jena, 2021). The latter view is likely to safeguard the interest of special groups. These views determine the underlying motives and forces shaping the policy priorities of a host country. For instance, the host government's priority to magnet R&D-

related FDI and adoption of renewable energy projects may help a country upgrade its technological fields as observed in the Indian software industry and Chinese telecommunication field (Agyekum, Amjad, Mohsin, & Ansah, 2021; Guimón, Chaminade, Maggi, & Salazar-Elena, 2018). Correspondingly, it can be argued that the host government's policy priority is the criteria that specify the recipient industries or sectors of foreign investment. Now the question is: what are the key determinants of this policy priority?

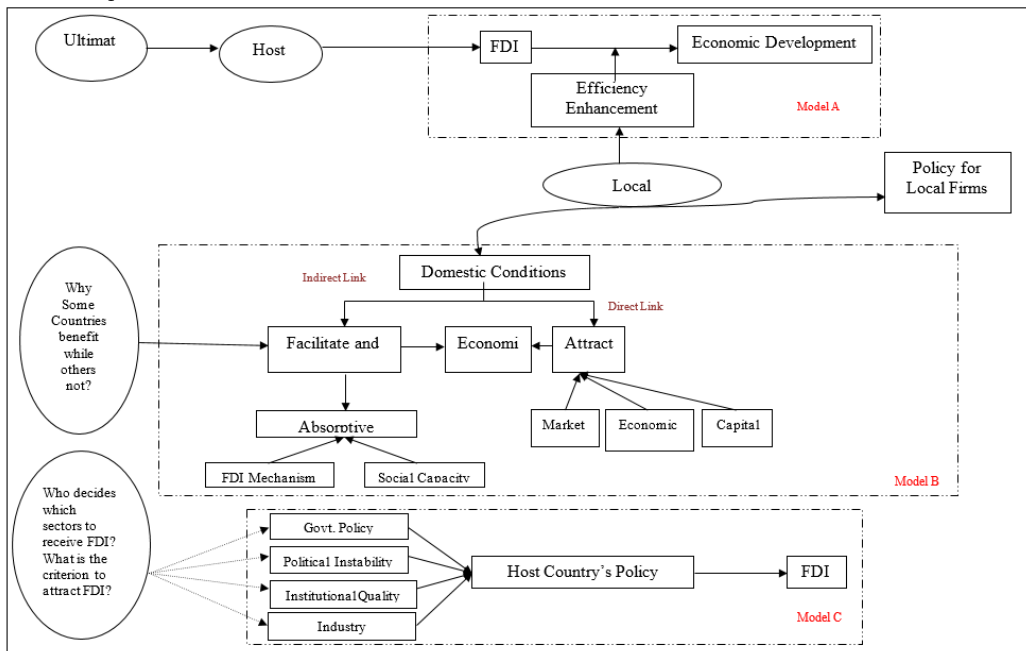
In a host country, national policy, and government agenda regarding the international movement of capital and R&D-related funds are likely to determine the priority set by the host country to embrace inward FDI (Guimón et al., 2018). There are two important dimensions of FDI-related government policy. First is the extent to which a government constrains foreign ownership to either a specific sector or to the economy as a whole. Second, is the level of regulatory requirements (formal or informal) imposed on foreign investor decisions related to certain business activities in the host country (Blomström, Kokko, & Globerman, 2001). In general, host countries may choose 100% or selective industrial openness to FDI depending on the extent to which policy measures promote an economic sector to a host government's perceived advantage. The decision is likely to be linked with either policy protection of domestic natural resources or policy endorsement of efficiency and competitive enhancement of economically important industries. Protectionism policies; however, discourage FDI spillovers in the long run; thereby slowing economic growth with slower human capital development and diffusion of technology. On the other hand, policy endorsement may reflect a government priority on enhancing the technical capabilities of its domestic firms by encouraging R&D in the economy. Blomström et al. (2001) exemplified it with a liberalized technology policy deployed by the Canadian government in commercial aircraft and telecommunications to develop technological strength by encouraging R&D activities. In contrast, research shows that foreign affiliates do not carry out R&D activities in all host countries rather their decision regarding R&D location is influenced by the market size, resource availability, and degree of the technological infrastructure of an economy.

Kumar (2001) argued that performance requirements imposed on foreign firms are also among the policy moves taken by a host government to constrain or encourage FDI flows to different sectors of an economy. Performance requirements such as a certain level of export commitment and transfer of technology and production to the host country oblige foreign firms to manage their business operations in compliance with the development objectives of that economy. To ensure that foreign firms are committed to the economy, host governments impose local content regulations on the foreign affiliates at the time of entry to the local market (Kumar, 2001). Tax incentives are typically expected to attract more FDI flows to locate foreign production plants in the host economy. However, host governments may also use tax policy as a barrier to restrict FDI flows to selective industries by imposing higher rates of corporate tax. Besides this, tariff, and non-tariff barriers also constrain or encourage the bulk of FDI flows to a host economy (Kumar, 2001). Several host countries impose tariffs as a means to direct resources to certain industries that show promising potential for development (Bora, Lloyd, & Pangestu, 2000).

Policy priorities of the host country to attract or restrict FDI flows to the economy are

likely to be affected by political risk, governance, and institutional quality (Hamid et al., 2022). If a host government prioritizes FDI flows to an economy, it cannot sufficiently realize this goal without a stable political environment. Political instability negatively affects the ability of a host government to attract and direct FDI flows (Busse & Hefeker, 2007). If institutional quality in an economy is compromised, it will not only affect flows of FDI but also the ability of the host government to adequately prioritize areas for foreign investment flows to the economy. The presence of a corrupt political system and poor law & order situation may fail to restrict and more importantly attract FDI to desired industries (Bénassy-Quéré et al., 2007).

Figure 2
Conceptual Framework



Industry concentration is another important factor that plays a role in determining the policy priority of a host country. Chari and Gupta (2008) argued that policy changes of a host government tend to be opposed by the preferential industry incumbents if their favorable position is threatened. For instance, if foreign inflows threaten the natural monopoly of industry incumbents, then they are likely to oppose FDI flows to the industry. Depending on the characteristics i.e., ownership and structure of an industry, host country policy may prioritize selective industries as a recipient of FDI. The ownership can also be termed as control of assets either family-owned or state-owned. If an industry is concentrated with state-owned businesses, then the government’s decision to enable FDI in a particular industry is influenced by special groups. These groups exert political influence to protect state-owned firms and their profits from the potential competition (Chari

& Gupta, 2008). The higher the proportion of state-owned firms in an industry, the higher the special interests of politicians and bureaucrats. Hence, the likelihood of liberalized foreign entry into a selective industry is inversely proportional to industry concentration. Besides political connections and natural monopoly prevalence, policy priorities may restrict FDI flows to an industry that has strategic value to the host economy.

Methodology

The purpose of this study was to shed light on the significant role of FDI in achieving sustained economic development and its disproportionate benefits for the recipient economies. To serve this purpose, this study chose to conduct exploratory and qualitative research through the review of relevant literature. Typically, the conduct of a systematic literature review can help generate new perspectives on a research topic, especially when the prior literature reports inconsistent results on the selected topic (Torraco, 2005). In addition, such an approach to literature review requires methodological rigor to ensure reliability and validity.

Following Tranfield, Denyer, and Smart (2003)'s guidelines, this study used a thorough procedure to carry out (i) an e-database search via keywords (ii) with a custom time range (iii) filtering of resulting articles based on journal scope and relevance, and (iv) abstract screening and selection of articles. First, this study used significant electronic databases (that were easily accessible) for article search on the subject they include Science Direct (Elsevier), Taylor & Francis (T&F), Springer, ProQuest, Wiley, MDPI, JSTOR, Oxford Academic, and Google Scholar. Through these databases, extensive research was conducted by using keywords such as "FDI and economic growth", "FDI and developing economies", "FDI mechanisms", "host country policies", "FDI and local conditions", "FDI and economic development", "economic development components", and "FDI and spillover". Second, the search for the relevant literature and research materials was restricted to the period of 2000-2018 (see Appendix).

Third, after the removal of duplicate articles, journal titles were scrutinized for their scope and relevance to this study. Then we examined the titles of selected articles and journal papers for their relevance to this study. Fourth, we also reviewed the abstracts of the remaining articles for their focus and relevance to FDI and sustained economic development. Lastly, to broaden the scope of our literature review and to ensure coverage of all relevant articles, we also accounted for the cross reference of applicable articles mentioned in the finally filtered set of published journal articles for ensuring methodological rigor and enriching our rationale about the selected phenomenon.

Discussion & Conclusion

Around the globe, countries have increasingly preferred FDI over other sources of capital flows to stimulate economic growth (Karabay, 2010; Aizenman, Jinjark, & Park, 2013; Guimón et al., 2018). Whether these effects (long-run or short-run) are positive or negative, it is yet to witness academic consensus; however, FDI is consistently reported to be

a source of investment and economic gain for FDI-source and -recipient countries seeking any of the three objectives i.e., resources, market and/or efficiency (Herzer & Klasen, 2008; Alfaro et al., 2009). Theoretically, FDI accelerates economic activity in a host country by not only bringing foreign capital but also foreign technology and industry knowledge. This proposition has been empirically tested and supported by various researchers.

Likewise, a review of the literature suggests that FDI-driven economic progress in developing economies is conditioned with efficiency enhancement (See Model A: Figure 2). In simple words, FDI develops an economy in the host country when it triggers the mechanism of efficiency enhancement to bring long-term economic prosperity. These mechanisms go beyond economic growth to help develop the economy by improving the standard of living, creating better-paying jobs, and increasing education opportunities (Armas & Rodríguez, 2017). This finding implies that the FDI-growth relationship is affected by various cross-country differences that apparently may not be related but certainly play an indirect role. For instance, Herzer (2012) identified a corruption-free environment, human capital, and openness as freedom factors that indirectly shape the FDI-growth nexus. This means that the ultimate goal of FDI i.e., accelerating economic development is likely to receive undivided attention when the possible ways of efficiency enhancement are well-considered. This has implications for academicians and practitioners who either seek to analyze the FDI-development nexus or formulate policies for the FDI-enabling environment. They need to be considerate about the kinds of spillovers concerning local conditions created by FDI to enhance the economic development process in a country (see Model B: Figure 2).

To a certain extent, the notion is true that FDI stimulates economic activity in a country; if it is so then why FDI benefits are reaped by only a few? Prior studies condition FDI-growth association with domestic conditions. To better understand the phenomenon, we conceptualize host country objectives as (i) to attract FDI and (ii) to facilitate and benefit from FDI (see Model B: Figure 2). To be a money-spinning opportunity, a host country needs to have an enabling economic policy with an attractive market size and capital stock. Paying attention to these key components can better help materialize the FDI-growth relationship. In response to the research question, the ability of a host country to facilitate and benefit from FDI depends on its absorptive capacities. When investigating these capacities, however, it is important to separate FDI mechanisms from social capacity as these are two different channels to instigate absorptive capacities in a country (see Model B: Figure 2).

Adding to the debate is the power to rule out the eligibility of different economic sectors to attract foreign investment. For this purpose, the host government formulates the policy priority serving as a criterion for FDI flows to selective economic areas (sectors and industries) of a country. Guimón et al. (2018) regard these policy changes as one of the plausible explanations for a recent shift in international R&D activities toward emerging economies. To determine these priorities, academicians must seek to investigate the forces that are likely to shape the policy priority of a country. In line with the literature, we propose that a host country's policy priority is determined through national policy, political risk, institutional quality, and industry concentration (see Model C: Figure 2).

In the light of findings discussed above, future researchers are encouraged to (i) in-

investigate the long-run and short-run effects of FDI inflows on the economic stability of a host country while considering social equity and environmental regulations. (ii) Compare and contrast the role of cross-country government initiatives and green regulations in sustaining the long-run effects of inward FDI on economic growth. (iii) Explore the role of eco-socially responsible investments in explaining the FDI-growth relationship.

Policy Implications

In developing and developed economies, multinational enterprises (MNEs) play a crucial role in accelerating economic growth and development. These contributions to the FDI-growth nexus usually route through the knowledge and technology spillover effects in the host country. Given the UN's SDG goals and the current shift in the global economies' economic sustainability priorities, this study has a few policy implications. First, the findings of this review suggest policymakers align the FDI policy with green investment. In this regard, policymakers need to be considerate about the extent of environmental regulations to reap the green economy benefits. [Qiu, Wang, and Geng \(2021\)](#) suggest the Chinese government consider the environmental regulation intensity across its regions to benefit from its sustainable development. Second, aligning the FDI policy with green investment will identify the avenues where FDI shall be attracted. Thus, policymakers need to clarify the policy agenda to attract FDI for research-related green avenues and sustainability projects such as green innovation ([Fang, Razzaq, Mohsin, & Irfan, 2022](#)), and renewable and clean energy ([Chang, Saydaliev, Meo, & Mohsin, 2022](#); [Mohsin et al., 2021](#)). Third, prioritize the markets and industries for FDI attraction in the host country. For instance, sustainable and renewable energy is a key issue in developing and developed countries. Appropriate fiscal measures such as feed-in tariffs, hiring of professionals, and good governance can help economies attract green FDI for renewable energies ([Ali et al., 2022](#)).

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Appendix

Impact Factor - Journal Publications

S. No.	Publication Year(s)	Publisher	Name of Journal(s)	Number of Papers Included from Journal
1	2018	Elsevier	Research Policy	1
2	2018	Elsevier	Journal of International Management	1
3	2017	Research Foundation for Humanity (RFH)	Bulletin of Business and Economics (BBE)	1
4	2013, 2017	World Scientific	Singapore Economic Review	2
5	2002, 2006, 2007, 2009, 2015, 2016	Wiley	World Economy	7
6	2014, 2016	MDPI	Sustainability	2
7	2015	Elsevier	Journal of Macroeconomics	1
8	2002, 2015	Oxford Academic	The World Bank Research Observer	2
9	2014	Elsevier	Journal of Business Venturing	1
10	2002, 2004, 2014	Elsevier	Journal of Comparative Economics	3
11	2014	Elsevier	International Business Review	1
12	2014	Elsevier	Economic Systems	1
13	2014	Wiley	Asian Economic Journal	1
14	2013	T&F	Emerging Markets Finance and Trade	1
15	2013	Springer	Open Economies Review	1
16	2013	Elsevier	North American Journal of Economics and Finance	1
17	2012	Wiley	Review of International Economics	1
18	2008, 2012	Elsevier	Economic Modelling	2
19	2011	Elsevier	Journal of International Money and Finance	1
20	2009, 2011	Elsevier	Journal of Policy Modelling	2
21	2010	Elsevier	Journal of Development Economics	1
22	2010	Elsevier	World Development	1
23	2008	University of Economics, Prague	Prague Economic Papers	1
24	2008	Elsevier	Journal of Financial Economics	1
25	2003, 2007	Elsevier	European Journal of Political Economy	2
26	2000	Oxford Academic	The World Bank Economic Review	1

Books and Other Publications

S.No.	Publication Year	Database/Publisher	Publication/Report/Book/Journal Title	Number of Articles
1	2019	UNCTAD	Investment Trends Monitor Highlights	1
2	2018	World Bank	Global Investment Competitiveness Report	1
3	2017	Universidad Alberto Hurtado	Journal of Technology Management & Innovation	1
4	2017	Open Access Journal	European Journal of Contemporary Research	1
5	2017	Springer	Regional Cooperation in South Asia	1
6	2017	UNCTAD	World Investment Report 2017	1
7	2017	Springer	Asia's Changing International Investment Regime	1
8	2015	Elsevier	Journal of Economic Asymmetries	1
9	2015	Universiti Putra Malaysia (UPM)	International Journal of Economics and Management	1
10	2014	LLC "Consulting Publishing Company "Business Perspectives"	Problems and Perspectives in Management	1
11	2014	ScienceDirect	Research in Economics (Res. Econ.)	1
12	2009	Academic Journals	African Journal of Business Management	1
13	2008	Edward Elgar Publishing	Multinational Enterprises and the Global Economy	1
14	2011	Universidad Autónoma de Nuevo León	Ensayos Journal of Economics (Ens. Rev. Econ.)	1
15	2004	American Economic Association (AEA)	The American Economic Review	1
16	2003	OECD	Measures of Restrictions on Inward Foreign Direct Investment for OECD Countries	1
17	2002	OECD	Foreign Direct Investment for Development: Maximizing Benefits, Minimizing Costs	1
18	2001	National Institute of Economic and Social Research	Inward Investment Technological Change and Growth	1
19	2001	Sameeksha Trust	Economic and Political Weekly	1