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ABSORPTIVE CAPACITY AND FOREIGN DIRECT INVESTMENT: EVIDENCE FROM SOUTH ASIAN COUNTRIES

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ABSTRACT

The absorptive capacity (AC) is very important determinant of foreign direct investment (FDI) more effective for economic growth and development. There are numerous indicators of absorptive capacity such as human capital, technology, infrastructure, institutional quality, GDP per capita, and trade openness. This study determines the effect of absorptive capacity on FDI in South Asian countries over the period 1984-2017 using System Generalized Method of Moment (GMM). The study reveals that absorptive indicators such as trade openness, infrastructure, institutional quality, human capital, gross domestic product per capita, and technology have increasing impacts on foreign direct investment in South Asian countries. However human capital is the more effective determinant of FDI compared to other determinants. It is necessary to increase human capital, free trade, infrastructure, technological innovations, and institutional quality to effectively absorb the benefit and spillover effects of FDI which boosts economic growth and development.

***Keyword**: FDI, Human capital, infrastructure, institutions, trade openness, technology.*

INTRODUCTION

Economic development primarily contingent on an enormous amount of profitable investment. South Asian countries experience a saving deficit that could not meet the desirable amount of targeted investment. Therefore, it is thought that FDI is essential and considered catalyst for economic growth and development. Moreover, South Asian countries (SAC) identify that FDI leads to a substantial increase in physical capital, knowledge, and technology (Sabir et al., 2019). This in turn may support

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hunting international markets for the sale of goods and services (Nasir & Hassan, 2011). SAC employed market-led growth policies to attract FDI inflows in the 1980s, but these countries tend to differ in receiving FDI inflows. For example, India experienced the highest amount of FDI on average during 1984-2017, Sri Lanka and Pakistan also received a huge amount of inward FDI and hence increase gross fixed capital formation (Adhikary, 2017). Moreover, India is the highest recipient of FDI among SAC followed by Bangladesh, Nepal, Pakistan, and Sri Lanka. South Asian countries have similar structural and macroeconomic parameters that provide a favorable environment for foreign investors. To facilitate FDI inflows, many developing countries instigated liberalization and deregulation of the financial sector. The genesis of transformation occurred in the late 1970s, when Sri Lanka started the process of financial liberalization and other South Asian countries also began to liberalize the financial sector. Pakistan also tried to privatize and deregulate the financial sector in the 1980s to attract an enormous amount of FDI. Later on, this process is enhanced in the 1990s with the start of the liberalization process in India (Nasir and Hassan 2011). In addition to that, emerging South Asian countries significantly liberalized their trade policies to boost domestic and foreign investment to enhance economic growth and development (Adhikary 2017).

Aleksynska, Gaisford and Kerr (2003) found interest rates, wage changes, as an assessment tool of openness of the economy. Empirical studies have shown that FDI has ubiquitous effects on the economic growth through the capital accumulation of the host country and transfer of technology from source to the host nation

Dunning (1988) proposes the eclectic paradigm (EP) theory which is also known as OLI theory of FDI. EP theory is also known as OLI theory of FDI reveals that FDI in the host country is determined by ownership or proprietorship explicit advantage (O), locational specific advantage (L), and International specific advantage (I). The EP theory states that the verdict of the foreign investor depends on the capacity of industries or firms, organization and supervision system, prices of labor, transportation expenditures, and government strategies. Moreover, FDI also flows to the countries which offer benign, risk-averse, and commercial investment opportunities and consequently win the global race for these floating resources.

Benefits accrued by the host country may depend on its sufficient

capabilities referred to as absorption capacity[1]. South Asian countries attempt to enhance massive FDI inflows but cannot identify whether they have AC to harness the benefits from FDI or not. For example, countries have achieved a minimum level of development before achieving the technological and managerial spillovers of FDI. However, if AC is not sufficient, SAC cannot get too many benefits from inward FDI (Nunnenkamp, 2004). The most important indicator of AC is human capital which absorbs and grasps knowledge and technology gains from the inward FDI and has spillover impacts of economic growth. A high level of human capital significantly impacts FDI inflow (Dunning 1973; Dunning 1988; Dunning 2009; Li & Liu, 2005; Alfaro, 2003). More skilled human capital attracts FDI in SAC (Cleeve, Debrah, & Yiheyis 2015). However, literature shows the mixed results concerning the significant effects of human capital development on inward FDI. For example, non-intensive skilled industries invest in those countries where cheap labor with fewer skills is available whereas knowledge and technology-intensive industries invest in countries where skillful labor in the form of higher education is available (Cleeve et al., 2015).

Furthermore, differences in institutions lead to the variation in the level of technology and sustainable growth that also depends on the technological innovations and quality of political institutions. In particular, political institutions are important for international business companies to invest in those countries where property rights are secured, rules, regulations, and policies are well documented and implemented, and stability governments are stable with fewer shreds of evidence of corruption and bureaucratic hurdles. Strong institutions are a prerequisite to attract FDI inflows to boost the proliferation of jobs and productivity. For instance, political stability is a measure of political institutions and it leads to plenty of FDI inflows, and thus economic growth rises. Otherwise, foreign and domestic investors are reluctant to invest. Gastanaga (1998) added that weak institutions are the main factors that cause less FDI in developing countries. In particular, multinational enterprises are ambitious to invest in politically stable countries (Harms & Ursprung, 2002). Therefore, bottom line is that institutions play a momentous role in the determination of FDI inflows in developing countries like emerging SAC.

Infrastructure is considered another indicator of AC to increase FDI

[1]*Absorption capacity pertains to an economy's capacity to absorb the benefits provided by FDI in the form of knowledge and technology spillovers effects*

inflows in developing countries. Many studies claimed that good infrastructure surges the productivity of capital and it also attracts FDI inflows. Poor physical infrastructure does not benefit the development process of any recipient country and discourages investment. A few researchers have synthesized the enhancing effects of infrastructure on FDI inflows (Wheeler & Mody, 1992; Asiedu, 2002).

Trade liberalization and openness is also used as a measure of AC. Trade openness is a vital factor that stimulates FDI in developed and developing countries. Multinational corporations prefer unrestricted trade relative to restricted one because restricted trade increases the distortion of the market and increases the transaction cost that drops off FDI (Asiedu 2002). Therefore, countries with more free trade can attract FDI inflows.

Technology is considered as another important measure of absorptive capacity to impact foreign direct investment of the country. The research and development sector are least developed in developing countries especially South Asian countries. Therefore, technology diffusion occurs from developed to developing countries. FDI is considered a major source of the relocation of innovative technologies to technology deficient developing countries. It has been asserted that absorptive capacity can be truly captured with technology innovations, technology transfer and human capital development. This augments the fact that investment in research and development in terms of technology and educated labor equipped with skills can contribute to raise absorptive capacity and thereby enhance inward FDI (Borensztein, Gregorio, De, & Lee 1998).

The prime objective of this study is to observe the impact of various measures of absorptive capacity such as human capital, trade openness, technology, infrastructure, and political institutions on the FDI in SAC using panel data over the period 1984 to 2017. There exist problems of endogeneity, autocorrelation, and omitted variable bias in the regression equation which leads to inconsistency in OLS estimators. Therefore, this study uses the System Generalized Method of Moment of Arellano and Bond (1991) and Arellano and Bover (1995) to tackle the aforementioned econometric problems.

This study makes a significant contribution to the previous literature in twofold ways. First, this is the pioneer study that examines the influence of absorptive capacity on inward FDI in South Asian countries. Second; this study considers the multiple indicators of absorptive capacity to explore their effects on FDI inflows in SAC.

The rest of the paper is organized into five sections. Section 2 provides the literature on the determinants of FDI. Section 3 contains a methodology comprising of the econometric technique and data sources. The explanation of the observed results is provided in section 4. Section 5 concludes the results.

Review of Literature

Narula and Marin (2003) analyzed the factors that affect the absorptive capacity of foreign direct investment. This study is based on the data from the innovation survey in Argentina (1992-1996). They concluded that infrastructure and human capital play an important role in attracting foreign direct investment. Alfaro (2004) examined the effect of FDI on growth through absorptive capacity by taking financial market development as a proxy of absorptive capacity for 72 countries. They found that countries with well-developed financial markets gain significantly from FDI. Furthermore, he concluded that FDI can play an important role in economic growth.

Kinoshita and Lu (2006) demonstrated two channels through which infrastructure could affect growth. First is that infrastructure is one of the important determinants of economic growth in various studies and he concluded as infrastructure exerts positive externalities on economies. Second, foreign investors are attracted to a country that has sound infrastructure which reduced the cost of doing business as many empirical studies show.

Busse and Hefeker (2007) explored the linkage between political risk, institutions, and foreign direct investment inflows. They found that political risk and institutions are closely associated with FDI. Demirhan and Masca (2008) examined the determinants of foreign direct investment inflows in developing countries. For this purpose, the study used cross-sectional data of 38 developing countries over the period 2000 to 2004. The study used both economic and institutional factors. Growth rate, inflation, trade openness, and tax rate are used as main economic variables controlled with the political institution. They found that trade openness and growth rate play a positive role in FDI inflows whereas inflation rate, risk factor, and tax rate play a negative role in FDI inflows. All variables are significant to expect risk factors. This revealed that risk is not an important factor in attracting FDI in the declared period. When the marginal return of capital is high, then the foreign investor may ignore

political risk. The study concluded that economic factors are more important in the attraction of FDI. Sawkut *et al.* (2009) examined the cause of low FDI inflows in African countries. For this purpose, they used panel data of selected African economies over the period 1990-2005. They used some macro-economic variables (trade openness, stock of capital, labor cost) and institutional variables (political instability, domestic market condition, law, and order). Results showed that there is a positive relationship between trade openness, capital stock, and sound domestic market condition whereas inversely relationship is observed between political instability and FDI. Nguyen et al. (2009) found that developing countries only achieve benefits from FDI once they have sufficient absorptive capacity related to the human capital resource, physical infrastructure, technological, and institutional development. They found that poor countries often look for short term goals to quickly cover their shortage. They paid less consideration to absorptive capacity because this process requires time and a lot of effort before achieving performance. Thus, FDI seems to be the best solution to fill a lack of capital, create jobs, and collect the tax. However, FDI holds more benefits in the form of advanced technology and know-how.

Walsh and Yu (2010) examined the determinants of FDI. The study was based on an institutional and sectoral approach. For this purpose, they used panel data of 27 advanced and emerging economies over the period 1985-2008. They examined various developmental, institutional, and macroeconomic determinants of FDI. At first, they examined the impact of the relationship between FDI and macroeconomic variables such as inflation, trade openness, exchange rate, and for institutions they used political stability and judicial independence. Results showed that there is a positive relationship between FDI and these macroeconomic and institutional variables.

Asiedu and Lien (2011) examined the impact of democracy on foreign direct investment. They used panel data for 112 developing countries for the period 1982 to 2007. System GMM is used to estimate the results. They found that good democracy has a positive impact on inward FDI. Good institutions provide an investment-friendly environment for foreign investors and create favorable conditions for investment. They further examined the effect of democracy on FDI depended on the importance of natural resources in the host country. Bission (2011) examined the impact of institutional quality on foreign direct investment.

For this purpose, he used cross-sectional data of 45 selected countries. To capture the quality of institutions he used some variables like a low level of corruption, political instability, law and order situation, political freedom, freedom of media. The result showed that there is a positive relationship between institutional quality and FDI inflows. He concluded that institutions may serve as a catalyst to attract foreign direct investment.

Ishida (2012) examined the positive and negative effects of FDI in East Asian countries. He conducted his study by analyzing different case studies on East Asian countries. He concluded that to attract FDI East Asian countries make the best possible use of its human capital by giving them education and health incentives. The technology may also be improved to digest the more benefit provided by foreign direct investment. Júlio et al. (2013) examined the impact of an institutional factor in attracting FDI. They took the data of 86 countries as a sample during the period 2005-2007. They proved that the institutional framework and the financial market are a means to attract FDI. The more efficient the markets are, they absorb the benefits of FDI. Lugemwa (2014) highlights the importance of improved absorptive capacity in developing countries. He used descriptive analysis to carry out his study for developing countries and used the concept of absorptive capacity with foreign direct investment to prove his study. He said that FDI can play an important role in growth. Developing countries need to attract FDI. One way of doing this is to support firms in developing absorptive capacity. In another way, this could be done through workforce development programs, human resource practices, and institutional quality. Developing countries, therefore, need to research ways of promoting workforce development programs to enhance absorptive capacity for local firms, and to support good human resource practices and organizational routines. The most recent study of Sabir et al. (2019) has found the positive relationship between institutional quality and inward FDI in developing countries using System GMM.

In light of the above literature, we can say that absorptive capacity and FDI are being rarely studied for East Asia Pacific and South Asian countries. This study contributes to the literature by taking the diversified measures of absorptive capacity to examine its impact on FDI in both regions. Then we compare the impact of absorptive capacity on FDI in both regions.

METHODOLOGY AND DATA

We estimate the following econometric model

$$lnFDI_{it} = \alpha_0 + \alpha_1 HD_{it} + \alpha_2 INSQ_{it} + \alpha_3 INFR_{it} + \alpha_4 TO_{it} + \alpha_5 lnGDP_{it} + \alpha_6 TEC_{it} + U_{it} \quad (1)$$

Where *i* indicates the number of countries that is), t is selected period of this study that is , FDI is our dependent variable taken as net inflow of FDI in current U.S. dollars. It is the summation of equity capital, reinvestment of revenues, and other assets. HD is human capital development expressed as the average years of tertiary education and life expectancy. Human capital development is one of the furthermost significant determinants that absorb the benefit provided by FDI. Many studies use this variable as the main determinant of FDI. Life expectancy and tertiary education are used to measure human capital. The trade openness (TO) construct is the ratio between the sum of exports and imports to GDP. TO is a key factor to catch inward FDI to boost job creation and economic development. Following Kravis and Lipsey (1982), Culem (1988), and Eswards (1990) we use trade openness as a determinant of FDI and it has positive effects on FDI. Infrastructure (INFR) is measured with fixed telephone line subscriptions per 100 persons. Hypothetically there is exists a positive association between infrastructure and inward FDI. Modern infrastructure attracts FDI inflows due to a reduction in operational cost (Khadaroo & Seelanah, 2007). SQ is democratic institutions. Political stability is used as a measure of institutional quality. If institutions are weak, foreign investors dither to bring money for investment purposes. Moreover, political instability and poor institutions indicate the poor governance within-country viz a viz the reversal of policies that are detrimental for FDI (Gastanaga, 1998; Harms, 2002). We use polity 2 as an indicator for political institutions which lies between +10 (strong democracy) and -10 (weak democracy).

Economic development is indicated by GDP per capita in the study to investigate its impact on FDI inflows. As economic development rises, optimism rises in the economy along with more purchasing power; encourages foreign investors to invest.

TEC is technology measured as the import of machinery and equipment at SITC 1[2] and total trademark registered. Technology shows improvement in the method of production and innovations. The import of machinery is used as a measure of technology. Technology is also an indicator of absorptive capacity to induce FDI in a country. FDI usually comes with new technologies and

[2] *Standard International Trade Classification 1(Section).*

innovations. Technology has a positive impact on inward FDI. Alternatively, this study also uses a total registered trademark as a proxy of technological innovations. All variables are expressed in natural logarithm (*ln*).

To examine the effect of human capital, institutional quality, infrastructure, trade, GDP, and technology on the FDI, model (1) is estimated by using the ordinary least square method. Perhaps estimators can be biased due to cross-sectional heterogeneity, autocorrelation, and endogeneity in democratic institutions, import of machinery, life expectancy, fixed telephone line subscriptions, and tertiary education. To tackle these problems, this study uses system GMM (Arellano & Bover, 1995; Blundell & Bond, 1998). The validity of instruments is tested using the standard Sargan test. The prerequisite for system GMM is, autocorrelation at first order (AR1) must be statistically significant while autocorrelation at second order (AR2) must be statistically insignificant.

To evaluate the effect of absorptive capacity on FDI inflows, this study uses panel data of five SAC such as Bangladesh, India, Nepal, Pakistan, and Sri Lanka over the period 1984 to 2017. These countries are selected based on the accessibility of data. Data on trade openness, fixed telephone line subscription per 100 people, life expectancy, GDP per capita, and FDI are gleaned from the World Development Indicators (WDI). Data on import of machinery in Standard International Trade Classification, Revision 1 (STIC I) have collected from UN COM Trade, the data of average years of tertiary education are obtained from Barro and Lee database[3] , and data of polity II[4] are retrieved from Polity IV data set[5]. We present the descriptive statistics of the selected variables in table 1.

Table 1: Descriptive Statistics

Variables	Obs.	Mean	Std. Dev.	Min	Max
Log(FDI)	170	19.042	2.844	12.421	24.518
Trade Openness	170	41.436	17.303	12.352	88.636
Tertiary Education	170	8.873	0.113	0.020	0.460
Political Stability	170	4.246	4.661	-7.000	9.000
Life Expectancy	170	64.678	5.869	49.410	75.284
Infrastructure	170	2.517	3.678	0.114	17.762
Log(Technology)	170	21.321	1.615	18.238	25.317
Log(Trade Marks)	170	8.873	1.472	6.110	12.599
Log(GDP per capita)	170	24.017	4.343	1.755	28.462

Source: Authors' calculations.

[3]*Educational attainment data for 146 countries in 5-year intervals from 1950-2010*
[4]*Political Structures and Regime Change*
[5]*Data series in political Science Research*

RESULTS AND DISCUSSIONS

This paper empirically investigates the influence of absorptive capacity on FDI inflows in SAC. First of all, we estimate equation (1) using SGMM, and results are displayed in table 2.

Table 2: Estimated Results of FDI inflows

Variables	GMM	GMM	GMM
Log(FDI(t-1))	0.490***	0.667***	0.516***
	(0.000)	(0.000)	(0.000)
Trade Openness	0.008*	0.011*	0.012**
	(0.090)	(0.107)	(0.092)
Democratic institutions	0.042*	0.072**	0.010*
	(0.055)	(0.043)	(0.070)
Log(Import of Machinery)	0.642***	0.237**	0.361**
	(0.000)	(0.027)	(0.032)
Log(Life Expectancy)	0.093***		0.083***
	(0.000)		(0.000)
Human Capital		2.778**	5.352**
		(0.029)	(0.037)
Log(Infrastructure)	0.042*	0.038**	0.014*
	(0.085)	(0.035)	(0.086)
Log(GDP per capita)	0.033*	0.305**	0.346*
	(0.106)	(0.037)	(0.105)
Constant	-10.319***	-6.522***	-12.575***
	(0.000)	(0.000)	(0.000)
Sargan test	0.127	0.176	0.459
AR1	0.000	0.000	0.000
AR2	0.717	0.588	0.672

*Note: *, ** and *** show significance at 10%, 5% and 1% level. P-values are given in parenthesis.*

The estimated results show that trade openness, democratic institutions, import of machinery, life expectancy, fixed telephone line subscriptions, and tertiary education are positively connected to FDI inflows. The

estimated results show that life expectancy, trade openness, political stability, import of machinery, infrastructure, and average years of tertiary education are positively linked with FDI and statistically significant respectively.

Trade openness (TO) has a positive and significant effect on FDI in selected SAC, which shows that the countries with free trade can attract more FDI because foreign investors favor free trade relative to the restricted trade. Since restricted trade increases the transaction cost which discourages. FDI. It is evident that trade openness and foreign direct investment are a complement for each other and affect positively. Aizenman and Noy (2005) also analyzed the association between trade and FDI and found an increasing influence of trade openness on FDI and significant at the 10% level for the countries sample.

Table 2 displays that political stability has a positive and statistically significant enhancing effect on FDI inflows. With the prevalence of political instability, foreign investors are reluctant to invest due to the threat of a reversal of policies and uncertain economic fluctuations that may cause a loss in profit. Our finding is akin to the studies of Asiedu and Lien (2011), Wheeler and Mody (1992), Kumar (1994), Alfaro (2004), and Nunnemkamp (2004). Table 2 shows the import of machinery; the proxy of technology has a positive impact on FDI. The main objective of foreign firms is to maximize profit. Firms invest in the country where the expected rate of return on the investment is high and higher returns are gained and associated with the improved technology. Improvement in production technology increases economic growth (Dornbusch, Fischer, & Startz, 2008). The GDP is found to have a significant and positive impact on FDI (Alharthi, 2018).

Life expectancy and tertiary education are used to measure human capital. Table 2 shows that life expectancy and tertiary education are positively related to foreign direct. As life expectancy and education increase, the productivity of the labor force increases thus raises FDI. Moreover, GDP per capita has positive and statistically significant impacts on inward FDI in South Asian countries. If countries have achieved a certain level of development, then an increased FDI inflow spurs economic growth. We have replaced the import of machinery with a total registered trademark to measure the effects of technology on inward FDI in SAC and results are described in table 3.

Table 3: Absorptive capacity and FDI inflows in South Asian Countries

Variables	GMM	GMM	GMM
Log(FDI(t-1))	0.547***	0.561***	0.520***
	(0.000)	(0.000)	(0.000)
Trade openness	0.012*	0.017**	0.018**
	(0.105)	(0.042)	(0.024)
Political Stability	0.022*	0.010*	0.015*
	(0.105)	(0.052)	(0.086)
Log(Trademark)	0.638**	0.572**	0.516**
	(0.030)	(0.043)	(0.045)
Log(Life Expectancy)	0.315**		0.065***
	(0.047)		(0.003)
Human capital		4.260**	4.790**
		(0.049)	(0.044)
Log(Infrastructure)	0.024**	0.060**	0.032**
	(0.039)	(0.038)	(0.029)
Log(GDP Per Capita)	0.139**	0.236**	0.571*
	(0.028)	(0.031)	(0.060)
Constant	-0.574**	-2.762**	-11.250**
	(0.039)	(0.023)	(0.036)
Sargan test	0.307	0.502	0.521
AR1	0.000	0.000	0.000
AR2	0.612	0.667	0.663

*Note: *, ** and *** show significance at 10%, 5% and 1% level. P-values are given in parenthesis.*

This shows trade openness, political stability, total registered trademark, life expectancy, tertiary education, infrastructure, and GDP per capita have a positive and statistically significant influence on inward FDI in SAC. The coefficient of registered trademarks is positive in all three models; implies that an increase in registered trademark shows that technology is getting developed in these countries which plays a significant role in attracting FDI inflows. The result shows that a 1 percent rise in trade openness causes a 0.018 percent upturn in FDI south Asian

region. Edwards (1990) claims that economies with a higher degree of trade openness can grow faster by absorbing new technologies at a higher rate than a country with a lower degree of openness. Political stability is positively related to FDI in South Asian countries. With the increase in political stability, FDI increases monotonically, and therefore economic growth increases.

Total registered trademarks are positively related to foreign direct investment, which shows that if the trademark increases, then it indicates that technological innovations are improving. Therefore, it indicates that the absorptive capacity of a country is rising. The results show that a 1 percent increase in technology causes a 0.516 percent rise in FDI in South Asian countries.

Infrastructure has a rising effect on FDI inflows in South Asian countries. Result reveals that a 1 percent improvement in infrastructure causes a 0.032 percent increase in the FDI inflows in SAC. Tertiary education as a proxy of education has a positive relation with inward FDI. The table illustrates that a 1 percent acceleration in tertiary education causes a 4.790 percent increase in the FDI in SAC. Aleksynska et al. (2003) analyzed that an increase in human capital development is expected to augment the potentials of FDI in absorbing benefits in pacific regions. Moreover, GDP per capita has a positive effect on FDI inflows in SAC. Overall, this analysis indicates that human capital development is a more effective measure of absorptive capacity which significantly determinant FDI inflows in South Asian countries followed by registered trademark and GDP per capita. Moreover, GMM satisfies the valid instrument condition, autocorrelation at the first-order autoregressive process, and zero autocorrelation at second-order auto-regressive process respectively.

CONCLUSION

This study has investigated the influence of absorptive capacity on FDI for selected SAC using the General Method of Moment (GMM) for the time 1984-2017. Factors such as human capital, infrastructure, institutional quality, technology, trade openness, and GDP appeared to be positive and statistically significant essentials of the FDI inflows in SAC respectively.

We found that developing SAC can induce more FDI inflows if there is no restriction on trade. Democratic institutions are positively related to

FDI in the South Asian region which implies that if there are political stability then foreign investors prefer to bring investment in these countries due to risk aversion and huge returns. Technology is positively related to a foreign direct investment; implies improvement in technology raises the absorptive capacity of a country. Infrastructure has a positive impact on FDI in SAC and tertiary education as a proxy of education is positively related to foreign direct investment.

The governments of the South Asian countries should improve the absorptive capacity measures such as human capital, infrastructure, and institutions of the country to give better incentives to the foreigners for investing in the country. The government should focus on tertiary education to absorb foreign direct investment inflows that can positively impact economic growth. Trade barriers such as tariffs should be reduced to enhance export-oriented growth which attracts the FDI.

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