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Foreign Direct Investment, Export and Economic Growth: An Evidence from Nepal

Prakash Subedi, PhD Scholar¹

ORCID: <https://orcid.org/0009-0005-4414-0392>

Suman Kharel, PhD²

ORCID: <https://orcid.org/0000-0002-4675-9157>

Jiban Mani Poudel, PhD³

ORCID: <https://orcid.org/0000-0001-6383-4983>

^{1,2}Central Department of Rural Development, Tribhuvan University, Kirtipur, Nepal

³Central Department of Anthropology, Tribhuvan University, Kirtipur, Nepal

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Corresponding Author:

Prakash Subedi

prakash.797630@cdrd.tu.edu.np

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ABSTRACT

The aim of this paper is to analyze and evaluate the present status of foreign direct investment (FDI) in Nepal concentrating economic growth and export boost. Developing nations like Nepal derive significant advantages from foreign investment, fostering economic advancement through the attraction of external capital, entrepreneurial skills, expanding market spaces, and technology transfer. Nepal has witnessed an upsurge in FDI since the 1990s, primarily attributable to the implementation of liberal economic policies by the government. The enactment of the Foreign Investment Technology Transfer Act (FITTA) has further sustained the investment environment in Nepal. This paper analyzes and evaluates the role of FDI in driving Nepal's economic growth and export activities. Employing correlation analysis and an ordinary linear regression model, the impact of FDI on Gross Domestic Product (GDP) and exports is measured. Given the documented FDI inflows since the 1990s, this research concentrates on the period from 2010/11 to 2022/23 to measure FDI's impact. The findings of this investigation reveal a positive correlation between FDI, GDP and the country's export growth.

KEYWORDS: Foreign direct investment,

gross domestic product, export boost, economic growth

INTRODUCTION

Foreign Direct Investment (FDI) involves the acquisition of a substantial ownership stake in the business or investment venture by a foreign entity. It plays a crucial role in promoting economic growth and development by bringing in capital, technology, international markets, entrepreneurial skills, and other business expertise, thereby creating job opportunities and innovation in the host country. There are a large number of literature emphasizing the positive impact of FDI may have on economic growth. It directly increases capital formation of the recipient economy and enhances growth. It is argued that FDI can help increasing growth through introducing new production processes and techniques, managerial skills, ideas, and new varieties of capital goods (Hermes & Lensink, 2003). These benefits significantly contributed for the global acceptance of FDI.

FDI is determined by the cost structures in the host nation, differential financial returns, market growth, and the institutional characteristics of the host nation (Thirlwall & López, 2017). It is said that companies wishing to invest overseas look for a favorable trade environment, conducive investment regimes, excellent infrastructures, ensured property rights, consistent political and macroeconomic stability, and well-educated, skilled, and committed human resource (Thirlwall & López, 2017). The effectiveness of foreign investment depends greatly on the host country's ability to absorb it, a capacity influenced by its growth prospects, business competitiveness, and export capabilities (Giwa et al., 2019). Furthermore, efficiency and effectiveness of FDI is highly dependent on the host country's ability and growth prospects.

Perkins and colleagues (2013) argue that FDI is either beneficial for the host nation or harmful are hard to make conclusions and can be misleading due to different scenarios. They highlight, "Foreign Direct Investment is highly diverse, dependent on the specific activities, the strategies taken by the multinational companies (MNC) and the government of host country, and the response of domestic suppliers, competitors, and customers" (Perkins et al., 2013, p. 370). They further mention that such type of arguments continues as to the reality and magnitude of spillover effects (both positive and negative) on employment creation, technological transformation, economic growth, and export improvement.

The recent notable surge in capital inflows across the global economies can be attributed to a consistent increase in business transactions among nations (Giwa et al., 2019). They further argue that the primary driver of increase in business is pursuing higher rates of financial return on investment and the chance to broaden the risks on a global scale among the investors. Observing the favorable effects of FDI in many global economies has encouraged capital inflows by eliminating restrictions that do not promote capital inflows (Adediran et al., 2019). FDI generates spillover effects by transferring knowledge to the host country, facilitated by the movement of skilled human resources from international companies to domestic ones (Borensztein et al., 1998). FDI raises financial expansion by fostering a highly competitive entrepreneurial landscape, that is crucial for reducing poverty in developing and transitioning nations (Hobbs et al., 2021). Countries like Nepal have to learn from this evidence to attract FDI for its economic growth and prosperity.

According to Flora and Agrawal (2014), FDI not only provides a crucial financial support for host economies, especially during the periods of transition, aiding in balancing the current account and fiscal deficits, but it also represents an advantageous opportunity for investing organizations from abroad. Nepal employed incentives, trade liberalization, and market reforms to attract FDI, aiming for rapid economic growth

supported by a structural adjustment program in 1985 with World Bank and IMF assistance that has significant effects on labor unions and employment in Nepal (Rimal, 2005). FDI is good for host economies like Nepal and offers investment and growth prospects for international companies, too.

Despite various assumptions and established facts, there is an essential concern in recent empirical research to find out whether the Nepali economy truly benefits from FDI through significant GDP growth, positive contributions to the balance of payments, and growth in Nepal's exports. This paper aims to evaluate the nexus between FDI and GDP expansion, and FDI and exports in Nepali economy. The studies show that such an analysis covering time series data up to more recent date in the context of Nepal has not been done. In this context, this paper examines the contribution of FDI in GDP growth, and the export of Nepal. Thus, this study has two major hypotheses: one is on FDI and GDP such as (i) Null H0: Assumption of no significant relationship of FDI inflow and GDP growth and (ii) Alternate H1: Assumption of significant relationship between FDI inflow and GDP growth. Another is on FDI and Export such as (i) Null H0: Assumption of no significant relationship between FDI inflow and Export growth and (ii) Alternate H1: Assumption of significant relationship between FDI and country's export growth.

LITERATURE REVIEW

Internalization theory proposed by Hymer (1960) suggests that firms invest overseas to internalize market weaknesses and gain competitive advantages. By directly owning the significant portion of foreign subsidiaries, firms can manage resources, cut transaction costs, and maximize profits. Similarly, the Eclectic Paradigm (OLI Model) developed by Dunning (1977) combines three factors, namely, Ownership (O), Location (L), and Internalization (I) to explain FDI. More explicitly, it posits that firms invest abroad to gain ownership advantages (unique resources or capabilities), locate in environments offering locational advantages (such as market size or resources), and find benefits in internalizing operations rather than licensing or exporting.

Market power is another thought that emphasizes the role of monopolistic advantages in driving FDI. Firms invest abroad to establish or maintain market power, gaining control over scarce resources, technology, or access to markets (Caves, 1971). Product life cycle theory proposed by Raymond Vernon (1966) suggests that firms invest overseas as products mature through their life cycle stages. This concept is mainly related to production shifts to foreign locations to serve local markets, innovations, and benefit from lowering the costs. Political and economic stability is another factor driving FDI. Firms may invest in countries with stable political environments to minimize risks associated with policy changes, expropriation, or political instability (Root, 1987). Originating from the work of economists such as Andre Gunder Frank (1966), dependency theory argues that FDI perpetuates and exacerbates global economic inequalities by reinforcing dependency relationships between developed and developing countries.

Technology spillover theory suggests that FDI can bring recent technologies, effective managerial practices, and entrepreneurial skills to host countries, leading to positive spillover effects on domestic firms and industries (Blomström & Kokko, 1998). Foreign companies may transfer knowledge, technologies, and expertise through training programs, supplier linkages, or joint ventures, enhancing the efficiency and competitiveness of host countries firms. In addition, FDI is good on resource mobilization. Resource mobilization theory believes that FDI can mobilize and efficiently allocate resources in host countries, particularly in sectors where domestic

capital is limited or underutilized (Carkovic & Levine, 2005). Foreign investors may inject additional capital, create employment opportunities, and contribute to infrastructure development, stimulating economic growth, poverty reduction, and enhancing the capacity of local labor forces. Export promotion theory emphasizes the role of FDI in stimulating host country exports by integrating domestic firms into global value chains and providing access to global markets (Görg & Greenaway, 2004). Foreign affiliates can contribute as export platforms, leveraging their existing networks, mobilizing distribution channels, and brand reputation to facilitate the export of locally produced goods and services.

FDI has emerged as a crucial source of private external finance for numerous countries, playing a vital role in fueling economic growth and development. It is more significant in developing economies in the sense that it provides an opportunity to transfer of technology, skills, and access to global markets, besides financial resources (UNCTAD, 2023). Recently, Nepal has also been struggling to increase FDI to promote domestic production sectors (NRB, 2022). FDI is crucial for economic growth and access to global markets for Nepali goods and services.

FDI has a wide range of activities/ sectors that are sometimes difficult to categorise. However, there are three broad categories: namely, natural resource-based sector, manufacturing and services, and labor-intensive production with the major aim of export in world markets (Perkins et al., 2013). They further argue that firms in these activities tend to be more competent and competitive, but they can also move fast from one country to another in response to become efficient in production costs or macroeconomic situations or political instability

Foreign direct investment in Nepal was begun in 1980 through Sixth Five Year Plan, 1980-1985. The plan made provision of favorable rules and regulations and attractive incentives for foreign investors (Kharel & Kharel, 2019). The empirical evidence also suggests a significant trade-off in many developing economies between achieving an adequate growth rate and maintaining a sustainable current account balance of payments (Dollar, 1992; Rodrik, 2003; UNCAD, 2020). Multinational corporations (MNCs) based mainly in North America, Europe, and Japan have significantly contributed to global trade and capital flows, with emerging economies like South Korea, Taiwan, Brazil, and China also witnessing a rise in MNCs (Todaro & Smith, 2020). These empirical evidences show trade-offs in economic growth versus current account in developing economies like Nepal.

While focusing on outward FDI, Kugler (2006) points out that the causal relationship between FDI and exports can be complex, but still offers evidence suggesting a complementary relationship between the two in specific contexts. Further, Uddin and Habib (2009) provide empirical evidence from Bangladesh, demonstrating a highly positive connection between the influx of FDI and the export growth of Bangladesh. Similarly, Harding and Javorcik (2011) highlight about the contribution of FDI inflows to facilitate export upgrading in developing economies, leading to increased export values. Haq (2013) also concludes the statistically notable evidence suggesting a positive contribution of FDI on expanding export of Pakistan. Nepal should learn from the experiences of South Asian neighbour like Bangladesh who significantly benefitted from FDI.

FDI in Nepal leads to economic growth through long-term capital, technology transfer, employment opportunities, managerial skills, technology diffusion, and innovation (Chhetri, 2022). It is said that FDI has made a significant impact on Nepali economy, with positive relationships observed between FDI, GDP, and employment,

although the need for selective strategies, weak information base, and the absence of an effective monitoring system are the major challenges (Kharel & Kharel, 2019). Despite diverse challenges, FDI in Nepal can achieve growth, technology transfer, and employment.

FDI of Nepal is not away from its inherent challenges though that need to be timely addressed with practical measures (Pyakurel, 2017). Different researches on the relationship of FDI and economic growth shown the mixed type of results. Bitzer and Gorg (2009) and Woo (2009) found the positive contributions of FDI on economic growth at the same time scholars like Ang (2009), Aitken and Harrison (1999), and Haddad and Harrison (1993) in their research concluded negative impact on production output and financial growth of the national enterprises. The impact of FDI varies nation to nation.

The theoretical foundation of FDI is the capital accumulation by capital inflows inject capital, alleviating domestic capital constraints, and enabling investment in productive activities (Borensztein et al., 1998). Foreign firms may bring advanced technology and know-how, enhancing productivity, and competitiveness (UNCTAD, 2020). Domestic firms can learn from the practices and management techniques of foreign investors, improving their own performance (Blomstrom & Sjöholm, 1999). FDI can lead to increase exports through production linkages and access to foreign markets (Harding & Javorcik, 2011). However, FDI can also inject different challenges. Overreliance on FDI can create dependence on foreign technology and capital, hindering domestic skill development and technological autonomy (UNCTAD, 2020). FDI injects so many good things, but it may add dependency in economy and the national enterprises.

Along with negative economic impact, FDI projects can also have negative environmental and social consequences if it is not carefully regulated (Oxfam, 2023). Pokharel and Pokharel (2019) found a positive but non-linear relationship between FDI and GDP growth in Nepal, with increasing impact after a certain threshold. Similarly, Bhattarai (2008) observed a mixed impact of FDI on Nepal's BOP, improving the capital account but contributing to trade deficits due to imported inputs. Nepal Rastra Bank (2022) reported that foreign-owned firms contributed significantly to export growth in recent years, particularly in manufacturing and tourism sectors. This explicitly shows the ability of international firms to play in the international markets.

According to Malla (2014), focusing on attracting FDI in sectors promoting technology transfer, exports, and job creation is essential. Improving governance and transparency can enhance regulatory frameworks and transparency to ensure responsible FDI practices (World Bank, 2023). Developing local skills and capacities, investing in education and training programs to equip domestic workforce with skills to benefit from FDI spillovers is required (ILO, 2019).

The Sixth Plan (1980-1985) created a foundational ground for foreign investment deepened with the provisions of lucrative incentives and gradual progress on making conducive regulations time and again since 1981. Few empirical studies report positive relations between FDI, trade, and economic growth, and claim that it has made a significant contribution to GDP growth, employment generation, international trade and other variables in Nepali economy (NRB 2022). Benefitting from FDI is possible through the high level of political commitment and improvement of regulatory provisions.

Nepal can leverage existing Bilateral Investment Treaties (BITs) and negotiate new agreements to provide investor protections and boost confidence (UNCTAD, 2020).

Being the part of World Trade Organization, Nepal's participation in Free Trade Agreements (FTAs) can lower trade barriers and improve market access, attracting FDI (OECD/WTO, 2019). Strengthening Investment Promoting Agencies (IPAs) like the Investment Board Nepal can enhance investment facilitation and promotion efforts (UNCTAD, 2020). As a part of international community on trade and investment, Nepal has opportunities to leverage for influx of FDI in country and enhancing economic growth.

Since 1981, various regulations and incentives have been put in place to attract and accommodate foreign investors in Nepal (Kharel & Kharel, 2019). To promote foreign direct investment in country, the Foreign Investment and Technology Transfer Act (FITTA) 1992 was endorsed and enacted. The major goal of FITTA is to build the conducive environment for foreign investments and transfer of technologies contributing Nepali economy to become economically viable, dynamic in the market, and enhance competitiveness by optimal utilization of financial capital, human resource, and natural resources (MoF, 1992). Nepal government is putting different efforts to bring FDI in countries some of them are; formulation of policies related special economic zones, easing the foreign direct investment through the FITTA 2019, and organizing investment summits are few examples. Doing business of Nepal is still not very friendly to international investors, the country needs structural changes at institutional level to ease FDI in country and utilize the benefit of FDI for higher spillover impacts in various aspects.

MATERIALS AND METHODS

The paper is based on the secondary data obtained from the quarterly economic bulletin published by Nepal Rastra Bank (NRB) and Economic Survey published by Ministry of Finance (MoF), Government of Nepal. A correlation and regression analysis were done to examine the effect of FDI on GDP and export in the economy of Nepal with data spanning over the period 2010/11 to 2022/23. The thirteen-year statistical data available from NRB and MoF was analyzed to examine the relationship between economic growth and volume of export and FDI.

RESULTS AND DISCUSSION

Glimpse of Global FDI Figures in 2023

According to United Nations Conference on Trade and Development (UNCTAD), global FDI flow dropped by 12 percent in fiscal year 2022 /23 to USD \$1.3 trillion. This result has impacted investment flows to developing nations, and global investors ended the year 2022/23 by announcing new projects in industry and infrastructure sectors. The world investment report further states geopolitical dilemma and fluctuating interest rate worries reduced global foreign direct investment figure, according to a new report by the UNCTAD); projected global FDI figure reached to USD 1.37 trillion in 2023. In developing nations of the world, FDI went up by 4 per cent to USD 916 billion, that is, slightly more than 70 percent of global investment flows. A few climate sensitive green investment projects came up in developing countries that increased by 37 per cent, however the international project financing deals went up by only 5 per cent. This is a positive indication of foreign investment opportunities in industry and infrastructure. Developing countries of Asia received \$662 billion which is accounted for more than half of global FDI. Despite the expansion of foreign investments in developing countries, overall FDI influx in the 46 least developed countries (LDCs) went down by 16 percent to USD22 billion that is less than 2 percent

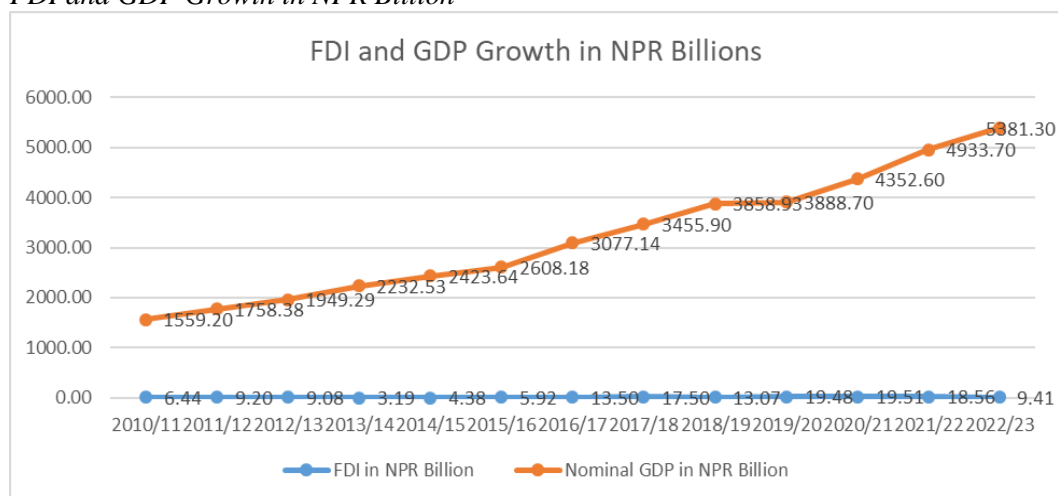
figure of global investment flows (UNCTAD, 2023). This clearly shows that LDCs are unable to get benefit of FDI.

FDI and GDP Growth in Nepal

NRB (2022) survey report states that the total figure of FDI in Nepal grew by 14.8 percent to Rs. 227.9 billion at the end of fiscal year 2020/21. Out of this paid-up capital is the main component in FDI figure that is almost 53.90 percent of total FDI figure in the country, the second and third component is understood as the part of reserves and loans in FDI that accounts about 31.60 percent and 14.50 percent respectively (NRB, 2022). Foreign investment in Nepal come from 55 different countries as reported on mid-July 2022, out of the total stock of FDI in Nepal, Indian investment remain in the top position with Rs. 75.8 billion, which is followed by China (Rs. 33.0 billion) in the second position. Ireland remains third with the FDI figure of Rs. 16.5 billion, Singapore fourth Rs. 15.5 billion and Saint Kitts and Nevis fifth with figure of Rs. 14.5 billion (NRB, 2022).

Figure 1

FDI and GDP Growth in NPR Billion



Note: NRB, 2023.

The above figure demonstrates growth patterns of both GDP and FDI. Specifically, the FDI experienced a substantial increase from NPR 6.4371 billion in 2010 to NPR 18.5603 billion in 2021/22 and declined in 2022/23 by about 50.70%. This might be due to COVID-19 and other business ecosystem related issues in the country. Similarly, the GDP growth expanded from NPR 1,559.20 billion in 2010/11 to NPR 5,381.30 billion in 2022/23, more than triple in its value from the base period.

Table 1

Correlation analysis of FDI and GDP Growth

| Correlations | | FDI in NPR Billion | Nominal GDP in NPR Billion |
|--------------------|-----------------------------------|--------------------|----------------------------|
| FDI in NPR Billion | Pearson Correlation | 1 | .648* |
| | Sig. (2-tailed) | | .017 |
| | Sum of Squares and Cross-products | 412.145 | 56250.725 |

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| | | | |
|----------------------------|-----------------------------------|-----------|--------------|
| Nominal GDP in NPR Billion | Covariance | 34.345 | 4687.560 |
| | N | 13 | 13 |
| | Pearson Correlation | .648* | 1 |
| | Sig. (2-tailed) | .017 | |
| | Sum of Squares and Cross-products | 56250.725 | 18303978.638 |
| | Covariance | 4687.560 | 1525331.553 |
| | N | 13 | 13 |

*. Correlation is significant at the 0.05 level (2-tailed).

There is a statistically significant positive correlation (Pearson correlation coefficient = 0.648, $p = 0.017$) between FDI and Nominal GDP in NPR Billion. This suggests that as FDI increases, it tends to be an increase in Nominal GDP, and vice versa, but it's not a perfect relationship.

The Pearson's correlation coefficient 0.648 shows a moderately strong positive relationship of FDI and Nominal GDP. The significance level of 0.05 (2-tailed) suggests that the observed correlation is unlikely to have happened by chance. The covariance values indicate the strength and direction of the linear relationship between the variables, with higher values indicating deeper relationships.

Table 2
Regression Analysis of FDI and GDP Growth

| Model Summary^b | | | | | | | | | |
|----------------------------------|-------------------|----------|-------------------|----------------------------|--------------------|----------|-----|-----|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change in R Square | F Change | df1 | df2 | Sig. F Change |
| 1 | .648 ^a | .419 | .367 | 982.88 | .419 | 7.947 | 1 | 11 | .017 |

a. Predictors: (Constant), FDI in NPR Billion

b. Dependent Variable: Nominal GDP in NPR Billion

| ANOVA^a | | | | | | |
|--------------------------|------------|----------------|----|-------------|------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 7677252.366 | 1 | 7677252.36 | 7.94 | .017 ^b |
| | Residual | 10626726.272 | 11 | 966066.02 | | |
| | Total | 18303978.638 | 12 | | | |

a. Dependent Variable: Nominal GDP in NPR Billion

b. Predictors: (Constant), FDI in NPR Billion

| Coefficients^a | | | | | | |
|---------------------------------|--------------------|-----------------------------|------------|---------------------------|------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 1623.81 | 619.08 | | 2.62 | .024 |
| | FDI in NPR Billion | 136.48 | 48.41 | .648 | 2.81 | .017 |

a. Dependent Variable: Nominal GDP in NPR Billion

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The coefficient of determination (R-squared) is 0.419, indicating that approximately 41.9% of the variability in the dependent variable (Nominal GDP) can be explained by the independent variable (FDI). The accepted error of estimate is 982.88, indicating the average span between the observed values and the forecasted values by the model. The F-statistic is 7.947 with a significance level (p-value) of 0.017, suggesting the regression model is statistically significant at 0.05 level or the H₀ is rejected.

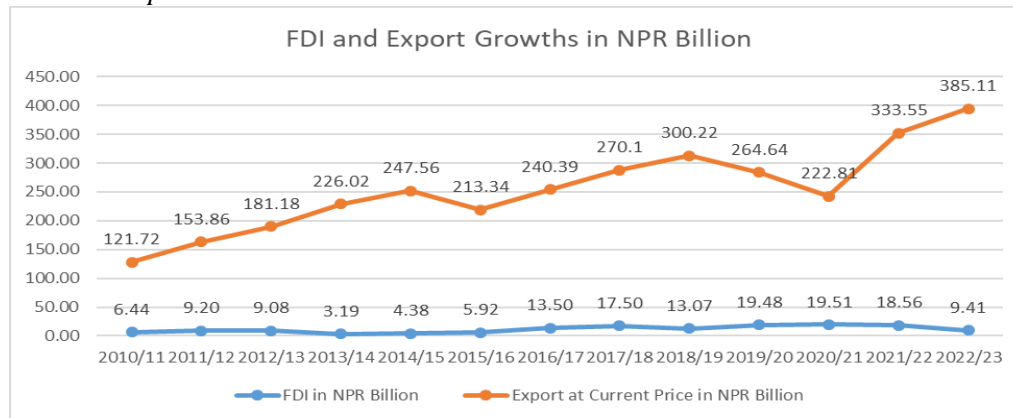
The regression model's sum of squares 7677252.36, with one degree of freedom (df). The residual sum of squares is 10626726.27, with 11 degrees of freedom. The total sum of squares is 18303978.64. The F-statistic is 7.947 with a corresponding p-value of 0.017, indicating the regression model is statistically significant or Null Hypothesis (H₀) is rejected.

The intercept (constant) is 1623.81, with standard error 619.08. Calculated t-value is 2.62 and the associated p-value is 0.024, indicating t the intercept is statistically significant. The coefficient for the FDI in NPR Billion variable is 136.48, with a standard error of 48.41 and a t-value of 2.81. Its associated p-value is 0.017, indicating that the FDI variable is statistically significant in predicting the Nominal GDP or Null Hypothesis is rejected. The standardized coefficient (Beta) for FDI is 0.648, indicating the strength and direction of its relationship with Nominal GDP.

FDI and Export of Nepal

The evolution of FDI and export of Nepal is revealed in Figure 2, which is presented in the following figure.

Figure 2
FDI and Export Growths in NPR Billion



Note: MoF, 2020/21 & MoF, 2022/23, NRB, 2023

Nepal's export was projected to be NPR 385.11 billion in 2022/23 that was only 121.72 billion (at current price) in base year 2010/11. The basic hypothesis of economics is that inputs determine outputs. Samuelson (1971) introduces the basic economic concepts like production functions, highlighting the relationship between inputs (labor, capital, etc.) and outputs (goods and services). Harding and Javorcik (2011) find an evidence that FDI can lead to increased exports through technology transfer, market access, and production linkages, supporting the widely acknowledged positive impact. MoF through its economic surveys states that Nepali trade is highly dominated by imports and FDI can play crucial roles in promoting export of goods and services. The provided figure represents the relationships between FDI and exports in Nepal, which will be further examined through regression analysis. To analyze and evaluate deeper

into the relationship between FDI and the country's export growth, further analysis was conducted using correlation and regression techniques. These analyses aim to uncover the extent and nature of the association between FDI and GDP growth.

Table 3
Correlation Analysis of FDI and Export Growth

| Correlations | | FDI in NPR Billion | Export at Current Price in NPR Billion |
|--|-----------------------------------|--------------------|--|
| FDI in NPR Billion | Pearson Correlation | 1 | .368 |
| | Sig. (2-tailed) | | .216 |
| | Sum of Squares and Cross-products | 412.145 | 1843.440 |
| | Covariance | 34.345 | 153.620 |
| | N | 13 | 13 |
| Export at Current Price in NPR Billion | Pearson Correlation | .368 | 1 |
| | Sig. (2-tailed) | .216 | |
| | Sum of Squares and Cross-products | 1843.440 | 60950.978 |
| | Covariance | 153.620 | 5079.248 |
| | N | 13 | 13 |

The Pearson correlation coefficient between FDI and Export is 0.368, indicating a weak but positive correlation between the two variables FDI and export. The p-value associated with the correlation coefficient is 0.216, that is greater than the standard significance level of 0.05. The correlation is not statistically substantial at the 0.05 level or the null hypothesis is accepted here.

The weak positive correlation suggests that as FDI increases, there is a tendency for export at current price to increase too, and vice versa. However, the depth of this relationship is not significant. Both variables have the equal correlation coefficient (0.368) because correlation is a symmetric measure of association between two variables. In conclusion, the analysis suggests a weak positive connection between FDI and export, but this is not statistically significant, indicating that other factors may be influencing the relationship between these FDI and Nepal's export. Further investigation or analysis may unfold the diverse dynamics and relationship within these two variables.

Table 4
Regression Analysis of FDI and Export Growth

| Model Summary ^b | | | | | | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|--------------------------------------|----------|-----|-----|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .368 ^a | .135 | .057 | 69.22 | .135 | 1.72 | 1 | 11 | .216 |

a. Predictors: (Constant), FDI in NPR Billion

b. Dependent Variable: Export at Current Price in NPR Billion

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 8245.32 | 1 | 8245.32 | 1.72 | .216 ^b |
| | Residual | 52705.65 | 11 | 4791.42 | | |
| | Total | 60950.97 | 12 | | | |

a. Dependent Variable: Export at Current Price in NPR Billion

b. Predictors: (Constant), FDI in NPR Billion

| Coefficients ^a | | | | | | |
|---------------------------|--------------------|-----------------------------|------------|---------------------------|------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 191.76 | 43.59 | | 4.39 | .001 |
| | FDI in NPR Billion | 4.47 | 3.41 | .36 | 1.31 | .216 |

a. Dependent Variable: Export at Current Price in NPR Billion

The coefficient of determination (R-squared) is 0.135, indicates approximately 13.5% of the variability in export at current price is explained by the independent variable (FDI). The adjusted R-squared, which accounts for the number of predictors in the model, is 0.057. The standard error of the estimate is 69.22, representing the average space between the observed values and the predicted values by the model.

The F-statistic is 1.72 with a significance level (p-value) of 0.216, suggesting that the regression model is not statistically significant at the 0.05 significance level or the Null Hypothesis (H₀) is accepted. The regression model's sum of squares is 8245.32, with 1 degree of freedom (df).

The residual sum of squares is 52705.65, with 11 degrees of freedom. The total sum of squares is 60950.97. The F-statistic is 1.72 with a corresponding p-value of 0.21, indicating that the regression model is not statistically significant or Null Hypothesis (H₀) is acceptable.

The intercept (constant) is 191.76, with a standard error of 43.59. Its t-value is 4.39 and the associated p-value is 0.001, indicating that the intercept is statistically significant. The coefficient for the FDI variable is 4.47, with a standard error of 3.41 and a t-value of 1.31. Its associated p-value is 0.21, indicating that the FDI variable is not statistically significant in predicting the export at current price. Overall, the regression model does not provide strong evidences to support the association between FDI and export at current price. The low R-squared value and non-significant F-statistic suggest that other factors may better explain the variability in export values.

CONCLUSION

The overall regression analysis indicates a strong positive relationship between FDI and GDP, and moderate positive relationship between FDI and export of the country. It is concluded by saying that the analysis proves that FDI has positive and spillover effects in Nepali economy. However, there are some other factors too affecting economic growth and exports of the country, that need further analysis and investigation. The analysis also tells that FDI contributes to the growth of Nominal GDP and export of the country; and there is strong positive relation between FDI and GDP growth of the country. However, it is important to note that this is a simplification of model, and the actual impact may vary due to some other factors influencing GDP. The analysis of FDI and export growth suggests that while there is a weak positive association between FDI and export at current price, it is not statistically significant. Other factors beyond FDI may have a more substantial influence on country's export performance. Further investigation may be necessary to better understand the dynamics and the factors and forces driving exports of Nepal. There are established facts globally that FDI brings diverse, and spillover impacts on economy of the country, but that totally depends on the business ecosystem of the country. The findings of this study show that Nepal is benefitting from the influx of FDI in the country, but at what level needs further analysis and evaluation.

CONFLICT OF INTEREST DECLARATION

We hereby wish to declare that we do not have any conflict of interests to disclose. However, we declare that the manuscript has not been published before and is not being considered for publication elsewhere.

AUTHOR CONTRIBUTIONS

This paper is the joint effort of the authors. Mr. Prakash Subedi, the principal author, collected the materials, wrote literature review, finalized the method in consultation with co-authors, collected data from secondary sources, carried out empirical analysis and interpretation, synthesis with appropriate citation, and prepared the draft of the paper. Dr. Suman Kharel reviewed the first draft of the paper and Dr. Jiban Mani Poudel edited the draft before sending it for publication.

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ABOUT THE AUTHOR(S)

Mr. Prakash Subedi, the main author of this article holds a master’s degree in business administration and pursuing his M.Phil. led PhD from Central Department of Rural Development, Tribhuvan University, Nepal. He, currently working with CARE International in Nepal, has excellent grip of working with development sector for the last twenty-two years, especially in the areas of economic development and policies, access to finance, market systems, impact investing, and small business promotion. Email: Prakash.797630@cdrd.tu.edu.np

Dr. Suman Kharel is Associate Professor at the Central Department of Rural Development, Tribhuvan University, Nepal. He has served this university for the last 17 years. He has published several research papers in national and international journals. His contribution to this article is framing the structure, providing technical input on writing, and making it precise. Email: sskharel81@gmail.com

Dr. Jiban Mani Poudel earned his PhD from Tribhuvan University in 2016. He is currently involved at the Central Department of Anthropology, Tribhuvan University, Nepal as a teaching faculty. His areas of interest include human-nature relations, especially the Himalayan region, human dimensions of climate change, and livelihood and its transformation. He has published more than two dozens of articles in national and international journals (impact factors) and a few book chapters. His contribution to this article is to provide technical guidance on writing, adequate citation and referencing, and maintaining the conciseness and coherence in writing. Email: jiban.poudel@cda.tu.edu.np

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