

Impact of outward foreign direct investment: Evidence from Asia

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Abstract

The study makes an attempt to contribute to the ongoing policy debate on whether OFDI has a complementary or substitution effect on domestic investment and hence, growth. For the purpose, the current paper uses panel data analysis to understand the impact of OFDI for 14 emerging economies in the period 1981–2019. We supplement the cross-country evidence with a time series analysis for India, given that FDI outflows from the country have been steadily increasing over the years. The results confirm the positive effect of OFDI on economic growth, but the substitution effect for domestic investment. This indicates that the OFDI positively affects growth through its effect on trade and other positive spillover effect, rather than domestic investment. However, in case of India, the findings support the complementary effect of OFDI on domestic investment.

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