



**THESIS TOPIC: A COMPARATIVE STUDY ON
THE RESILIENCE OF FDI IN DEVELOPED AND
DEVELOPING ECONOMIES**

A Thesis submitted to Department of Management Sciences in
partial fulfillment of the requirement for the MBA degree

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ABSTRACT

Purpose: The objective of this research is to document the importance of Foreign Direct Investment with respect to Trade, Inflation and GDP and identifying trends in FDI flows in developing Countries (Pakistan and India) and developed country, China since 1977 till 2012 and to provide detailed explanation about the underlying factors affecting the FDI inward flow in these countries. The factors like the changes in economic situations of developing countries, technological advancement and change in government policies has created a positive impact on the FDI flows in the developing countries. The report provides comprehensive knowledge about what measures can be taken to further improve the FDI flow in developing countries and the benefits and barriers to FDI are also highlighted in this research.

Methodology/Sample: This is descriptive based research that involves Data of 36 years collected for the entire variables selected for this study and is tested through different statistical tools. The three Asian countries (Pakistan, China and India) are selected for the analysis. The co integration properties of the data are analyzed and the long run relationship between variables FDI, GDP, INF and TRADE are identified through regression and co integration framework. Furthermore correlation and unit root tests are also implied on the data for checking the significance of the variables and its combined influence on the main dependant variable FDI.

Findings: The tests result clearly indicates that there is a positive, long run influence of GDP and TRADE on FDI. The more the trade and GDP will be the more beneficial it will be for a developing country to attract FDI. However inflation rate should be stable enough for sustained growth of FDI in the country. The result also indicates the negative correlation between FDI and Inflation which is a good sign.

Practical Implications: the outcome of the research will help the readers to understand the basic reasons for the resilience of FDI in developing countries and what is the joint impact of GDP, Inflation and Trade on FDI. It will also clarify the overall mechanisms of FDI and what steps can be taken to increase the FDI flow as it is important for the economic development for a country.

Keywords: FDI, Developing economies, GDP, resilience, economic development.

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