

Impact of Foreign Direct Investment on Economic Growth of Sri Lanka

J. Krishanthi Mallika*¹, Prof. Zhao Hongzhong²

^(1,2) School of Economics, Wuhan University of Technology, Wuhan, P.R.China, 430070)

ABSTRACT

European Union Report on International trade and Foreign Direct Investment (2013) stated that, the Globalization has impact on the economy through the foreign trade of financial flows and the movement of persons linked to cross border economic activity. Foreign Direct Investment (FDI) as a growth stimulus tool has received great attention from developing countries in recent decades. The neoclassical model is credited to Solow's growth model (1956) which posited that FDI promotes economic growth directly increasing the volume of investment (Kaleem et al.2013). Through a large volume of econometric literature comprises on the impacts of FDI on economic growth in developing countries, studies on the impacts of FDI on economic growth and there causality linkages in Sri Lanka. Purpose of this study is twofold: firstly, to investigate the relationship between the FDI and economic growth and secondly, to estimate the impact of FDI on economic growth in Sri Lanka over the period of 1980–2014. Cointegration test has been utilized to find out the long run equilibrium relationship between FDI and economic growth. It can be concluded that there is a significant long run relationship between economic growth and FDI. Based on the regression analysis FDI has a positive effect on economic growth in Sri Lanka. Finally, it was suggested that, the Sri Lankan Government should take necessary action to improve investment climate and focus on the infrastructure development through the FDI to accelerate economic growth.

KEYWORDS: *Developing Countries, Economic Growth, Foreign Direct Investment, Infrastructure*

¹* Corresponding Author: J. Krishanthi Mallika: krishanthimallika@yahoo.com

1. Introduction

Faced with the current globalization of markets, globalization and internalization of production and monetary policies, there has been a radical change in the attitude of developing countries that are forced today to seek sources of non-traditional and non-generating investments in debt. That is why they have turned to Foreign Direct Investment (FDI) (Athukorala, 2003). In all countries, especially developing, FDI's plays a very important role, they are even considered as the engine of economic growth and development (Abbes et al., 2015).

According to the International Monetary Fund (IMF) and Organization for Economic Co- operation Development (OECD), the FDI is as an international venture in which an investor residing in the home economy acquires a long-term "influence" in the management of an affiliate firm in the host economy (Velnampy et al., 2013).

Foreign Direct Investment (FDI) is assumed to benefit a developing country like Sri Lanka, not only by supplementing domestic investment, but also in terms of employment creation, transfer of technology, increased domestic competition and other positive externalities (Faruk, 2013). FDI inflows not only can increase the export capacity of the host country but also induces new job vacancies (Stamatiou & Dritsakis (2013).

Sri Lanka offers attractive investment opportunities for foreign companies and has adopted a number of policies to attract foreign direct investment into the country and the country seems to offer perhaps one of the most liberal FDI regimes in South Asia (Thilakaweera, 2010).

According to the United Nation Report on the Global Investment Trends Monitor, 2013, Global foreign direct investment (FDI) inflows have been declined by 18% in 2012, to an estimated US\$1.3 trillion. The strong declining trend in the FDI flows influence the other macro economic variables such as Gross Domestic Product (GDP), trade balance, fiscal deficit, and price level and employment growth in an economy.

1.1 Trends of FDI in Sri Lanka

In the context of Sri Lanka, especially prior to 1970's FDI was not seen as an instrument of economic growth. Prior to economic liberalization, Sri Lanka has followed inward looking economic policies, which had limitations for foreign investors and free flow of FDI. Although there were limitations during the period of 1950-1977, some measures had been taken to attract FDI. For instance, in 1966, presented a white paper for FDI and also foreign investment advisory committee was set-up in 1968 in order to investigate and manipulate policies regarding foreign direct investment in Sri Lanka. Before 1977, since we had practiced a closed economic situation, there were plenty of limitations for international trade and FDI. Since 1977, the country has practiced the open economy policy.

Foreign direct investment in Sri Lanka has grown immensely since the initiation of economic reforms in 1977. Most of the other South Asian countries introduced FDI liberalisation policies after the mid-1980s. With the economic policy reforms introduced in 1977, the FDI flows rapidly increased continuously until 1983.

In 1993 the Government of Sri Lanka also has signed investment protection agreements with various countries including the United States. Sri Lanka has stablished free trade zones, called export processing or investment promotion zones located in Katunayake (1978), Biyagama (1986) Koggala (1991) Pallekelle(1996) Mirigama(1997) Malwatte(1997).

However, the impressive upward trend in FDI flow was disrupted by the escalation of ethnic problems into a civil war in 1983. During the 1983-89 periods, the incentives for FDI were damaged by the setbacks on foreign trade, moreover, the investment environment further deteriorated during the same period as a result of political instability. Sri Lanka lost her investment potential due to the uncertainty created by the civil war. As an example, two electronic manufacturing giants, namely Motorola and the Harris Corporation which obtained BOI approval to establish plants inside the Katunayaka free trade zone in 1982; withdrew their investment projects from Sri Lanka with the uncertainty created by the war (Kelegama 2006).

In the 1990s, the largest 20 foreign investors went into telecommunications, power generation, port and other infrastructure development and industrial sectors. More than one-third of the FDI flows in the 1990s came through the privatisation of state-owned enterprises (Athukorala and Jayasuriya 2004).

Before the recovery from the set-back in the late 1990s, the adverse impact of the 9/11 attack in 2001 was felt in FDI flows. In addition, the Liberation Tigers of Tamil Eelam (LTTE) attacked Sri Lanka's only international airport in the same year, and this also badly affected to the FDI flows.

Again, a somewhat conducive economic environment was visible in the country after 2002, with the signing of a peace agreement with the LTTE Tamil rebel group. Although the LTTE withdrew from negotiations and the government decided to crush the rebels in 2005, FDI flows into the sector have shown a steady growth over 2003-2010. In year 2011 country attracted significant inflow of FDI consequent to achieving sustainable peace after the government forces crushed the LTTE rebels in May 2009.

Sri Lanka was one of the longest democratic traditions in the region and over the years, governments have followed free market policies and continued to liberalize the economy. Further, Sri Lanka creates better economic environment to attract the FDI through the monetary and fiscal policy framework in South Asian region (Athukorala, 2003).

Therefore, it is important to empirically examine the impact of FDI on economic growth in Sri Lanka as such understandings or findings will help policy makers to establish a better policy framework to attract foreign direct investment. Therefore this study mainly focused on the effect of FDI on economic growth of Sri Lanka.

2. Statement of the Problem

The role of FDI in economic growth has long been a topic of discussion in several countries. These discussions have provided rich insights into the relationship between FDI and economic growth. The empirical evidence of recent studies is rather mixed. Some found no causality between FDI and economic growth (Jung and Marshall, 1985) others found unidirectional relationship. Chow (1987) reported bidirectional relationship between FDI and economic growth. However, the economy of Sri Lanka is still struggling to overcome from the developing status, since our economic growth is not sufficient to pull our economy to a developed category from the current situation of under development. Consequently, it is doubtful whether the contribution of FDI on Sri Lankan economic growth is significant. Therefore, it is worthwhile to create a clear picture about the effect of FDI on Sri Lankan economic growth. Thus the research answers the question of what extent foreign direct investment has influence at the economic growth in Sri Lanka.

3. Objective

Foreign investment inflows to Sri Lanka continued to increase over the last decade as a result of investment favourable policies adopted by the successive governments. In accordance with the research problem, Purpose of this study is twofold: firstly, to analyze the relationship between the FDI and economic growth in Sri Lanka and secondly, to estimate the effect of FDI on economic growth in Sri Lanka over the period of 1990–2012.

Secondary objectives are:

- To compute trends of foreign direct investments and Economic growth in Sri Lanka
- To find out the long run relationship between foreign direct investment and economic growth;
- To find out the causal relationship between foreign direct investment and economic growth;

4. Review of Literature

Theoretically, FDI provides economic growth through capital accumulation, and the incorporation of new inputs and foreign technologies in the production function of the host country (Almfraji and Almsafir, 2014).

Empirically, traditional neo-classical growth model (exogenous-growth models) and endogenous modern growth models have been widely used to test those theoretical benefits of FDI. The traditional

growth model is credited to Solow's growth model (1956) which posited that FDI promotes economic growth directly increasing the volume of investment (Kaleem et al.2015). It facilitates the process through technological innovation and efficient deployment of resources, to achieve lower unit cost of production and increases global wealth, living standard, reduces poverty and improves welfare of individuals.

The endogenous growth model theory advanced with the theory of Romer (1986), and it explains the long run growth rate on an economy on the basis of endogenous factors as against exogenous factors of the neoclassical growth theory. The theory holds that economic growth is the result of endogenous forces (Kaleem et al. 2015).

Recently, the models developed by Lucas (1988) and Barro (1990) show that technology plays a fundamental role in the process of economic growth. Moreover, these models incorporate a new concept regarding human capital, skills and knowledge.

The growth of foreign direct investment (FDI) has been the focus in several studies examining the channels of transmission between FDI and growth. Economic models of endogenous growth were combined with studies of diffusion of technology explaining the effect of FDI on the economic growth of several economies (Lucas, 1988; Barro, 1990). In these models technology plays an important role in economic development. The extensions of the neoclassical models to allow for capital and technology mobility of countries have reinforced the idea that low income countries tend to grow at a higher rate. The volatility of FDI and requirement for macroeconomic and financial adjustments has been identified for developing nations. De Gregorio and Guidotti (1995) indicated that, financial liberalization and stabilization must be undertaken in host countries before any increases in FDI become feasible. FDI has been seen as an effective channel to transfer technology and foster growth in developing countries within the framework of the neoclassical models (Solow, 1956).

A large number of studies have been done in the field of FDI and economic growth. Some of the major studies are reviewed below.

De Gregorio (1992) found a positive effect of FDI on growth in his analysis of twelve Latin American countries for the period 1950–1985.

Blomstrom, Lipsey and Zejan (1994) for a combination of 78 developing and 23 developed countries found that over the period 1960–1985 FDI has a significant positive influence on economic growth but the influence seems to be confined to higher – income developing countries.

Borensztein et al. (1998) studied the effect of foreign direct investment (FDI) on economic growth in a context of panel regression, using data on FDI flows from 69 developing countries from the period 1970 to 1990. Their results suggest that FDI is an important vehicle for the transfer of technology, contributing relatively more to the growth of domestic investment.

Fan and Dickie Ruane (2000) studied the contribution of FDI to the growth and stability of Indonesia, Singapore, Thailand, Malaysia and the Philippines during 1987–1997. They used the Cobb-Douglas growth accounting regression models to evaluate the effect of FDI on economic growth. The results of the study showed that FDI has made significant contributions to the economic growth of these five ASEAN economies.

Carkovic and Levine, (2002) investigate the FDI impact on economic growth of 72 countries. Time series data of 1960-1995 was used for the purpose of study. The methodology of Ordinary Least Square is used for data analysis. Their results indicated for the both developing and developed economies FDI inflows do not exert a robust influence on economic growth.

Ram and Zhang (2002) focused on foreign direct investment and economic growth in the cross-country level. They found the significant positive influence between FDI and economic growth. Campos and Kinoshita (2002) examined the effects of FDI on growth for the period 1990–1998 for 25 Central and Eastern European and former Soviet Union transition economies. Their main results indicated that FDI had a significant positive effect on the economic growth of each selected country.

Chowdhury and Mavrotas (2003) examined the casual relationship between FDI and economic growth for Chile, Malaysia and Thailand covering the period 1969–2000 and their empirical findings suggest that GDP causes FDI in the case of Chile, while for both Malaysia and Thailand, there is a strong evidence of a bi-directional causality between the two variables.

Baharom Shah and Thanoon (2006) used in dynamic panel model to examine the link between FDI and

growth in East Asian economies. The authors have confirmed that FDI promotes growth and that its impact is felt both in the short and long term.

Chakerborty and Nunnenkamp, (2006) attempted to analyze the impact of FDI on economic growth of India. The methods of granger causality and panel co integration in specific industry are used. These findings shows FDI effects sector wise and shows casual relationship in primary sector whereas transitory effect of FDI was initiate in service sector.

Yao, (2006) investigated the effect of FDI on economic growth, using a panel data set encompassing 28 Chinese provinces over the period 1978–2000. The results of the study showed that FDI have a strong and positive effect on economic growth.

Duasa, (2007) investigated the impact of FDI on economic growth in Malaysia. He used 1990-2002 quarterly data. The analysis techniques of GARCH and causality approach were applied to the data. This study does not find any casual relationship between economic growth and FDI.

Yousaf et al, (2008) attempted to investigate the impact of FDI on economic growth of Pakistan. The techniques used for data analysis are co integration techniques to check the relationship of variables in long run. Error correction model was also used for the purpose of further analyzing data. The data for study purpose was for a time period of 1973-2002. The results of data analysis show that FDI influences economy in long run as well as short run.

Vu and Noy (2009). using industry data for a group of six member countries of the OECD. Their work is the first to identify the sectoral impact of FDI on growth in developed countries. Their results show that FDI has a positive effect on economic growth directly.

Alkhasawneh (2013) investigate the causal relationship between inflows of FDI and GDP per capita by taking data from Qatar for a period of 1970-2010. By using Johansen cointegration it is found that there is a long run equilibrium relationship between FDI and GDP (Kaleem et al. 2015).

D. Gomes Neto, FJ Veiga (2013), use a panel data set covering 139 countries over the period 1970 to 2009, they studied empirically the role of foreign direct investment on growth through the diffusion of technology and innovation. The authors found that these two mechanisms have a positive effect on productivity growth and GDP growth.

Omri and Kahouli (2014) shows that the effect of the stock of FDI on economic growth in MENA countries is positive and statistically significant.

Athukorala (2003)'s study on the impact of foreign direct investment on economic growth in Sri Lanka between 1959 – 2002, agrees that the regression results do not provide much support for the view of robust link between FDI and growth in Sri Lanka. He posits that the situation is due to lack of improved investment climate such as good governance, accountability, political instability and disturbance, bureaucratic inertia, among other reasons.

Athukorala and Karunaratne (2004) examined the impact of FDI on the economic development of Sri Lanka using co-integration and a ECM models over the period 1959–2002. The study was based on the FDI-led growth hypothesis. He found that the direction of causality was not towards FDI to GDP growth. Further, the impact of domestic investment and trade liberalisation was found to have a positive effect on GDP growth.

Wijeweera and Mounter (2008) examined the causality relationship among five macroeconomic variables, namely wage rate, exchange rate, GDP per capita, external trade, FDI and interest rate for Sri Lanka. The study used VAR techniques. The findings indicate wage rate – as the variables studied – is the most important determinant of FDI. Despite this, the study emphasised that the other four variables should also be considered for policy formulation.

5. Methodology

5.1. Data and Data analysis

Data on foreign direct investment and economic growth from the year 1990 to 2012 were collected for the study purpose. Since this study mainly based on time series. The data were extracted from various issues of the Annual reports of the Central Bank of Sri Lanka and various other published documents.

Various statistical methods have been employed to conclude the data series. First, the Unit Root Test was applied to test the stationary of the series at the level and first difference test by using Augmented Dickey Fuller (ADF). In order to verify the stationarity of the time series the Augmented Dickey-Fuller test was applied. . Second, if they are integrated of the same order, the Co-integration tests are used. Co-integration is the most appropriate technique to study the long-term relationship between FDI and GDP variables. Finally Regression analysis was conducted to find out the impact of foreign direct investment on economic growth.

The factors of FDI affecting the Economic growth in Sri Lanka was analyzed using a multiple regression model.

$$\text{Economic Growth} = f(\text{FDI})$$

(1)

Where FDI is the independent variable and Economic growth is the dependent variable. The variable for which economic growth was measured was the Gross Domestic Product (GDP). The inflows of foreign direct investment, government expenditure and gross fixed capital formation were used as independent variables

The model estimated was

$$\text{GDP} = \beta_0 + \beta_1 \text{FDI} + \beta_2 \text{GE} + \beta_3 \text{GFCF} + \varepsilon$$

(2)

GDP = Gross Domestic Product (Proxy for Economic Growth) (Million RS. Nominal value)

FDI = Foreign Direct Investment (Million RS. Nominal value)

GE = Government Expenditure (Million RS. Nominal value)

GFCF =Gross Fixed Capital Formation (Million RS.) Nominal value

ε = Error term

6. Results and Discussion

Time series analysis was carried out to identify the trend on FDI and the details are depicted in the diagram. Figure 1 shows the trend of FDI over the last 23 years period. According to the graphs, a clear trend can be observed of the FDI in Sri Lanka over this period.

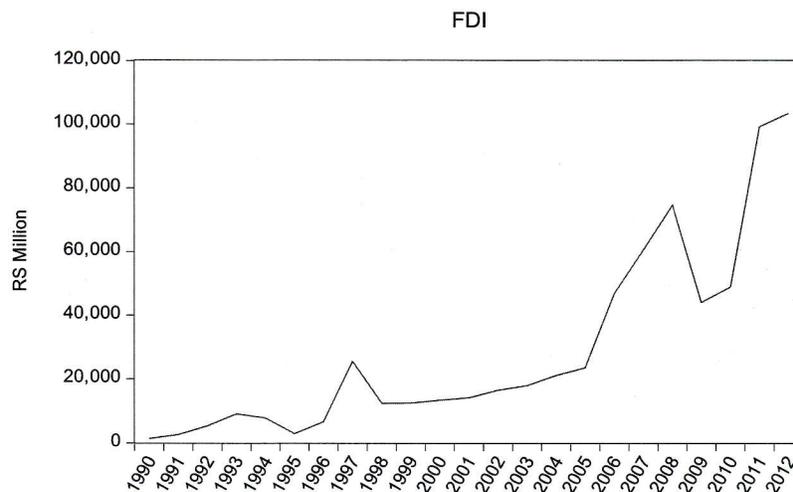


Figure: 1 Trend in Foreign Direct Investment in Sri Lanka: Nominal value (Source: Central Bank reports (1990-2013))

From 1990 to 1993, foreign direct investment in Sri Lanka has been in increasing trend. Later, the increasing trend has been changed. In 1995, the FDI reached to lowest level as 2931 RS in Million. After that, the trend in FDI showed the heightening trend. In 1998, suddenly, FDI has declined. After that, (1999 2005) the FDI showed a steady growth in terms of RS in Million. Then, form 2006 to 2008 there was an increasing trend in FDI. Suddenly, in 2009, the FDI has declined. Eventually, the FDI in Sri Lanka was increased in 2010 and 2011. In 2011, Sri Lanka experienced the highest level of FDI in terms of RS in Million as 99265, which is considered as the green signal to the prosperity of country. In 2012 it was RS in Million as 103456. Further, infrastructure development has the greatest share in the FDI in recent years. (figure 1)

To understand the tendency of variables, a primary analysis of the data was done. The data was analysed using E-views 7 software and results are presented below regarding my data set.

Table: 1 Descriptive Statistics The summary of the distribution

	GDP	FDI	GE	GFCF
Mean	2293500.	29171.17	542821.4	581522.8
Median	1407398.	16489.00	386518.0	330543.0
Maximum	7578554.	103456.0	1556499.	2189805.
Minimum	321784.0	1294.000	99814.00	63289.00
Std. Dev.	2130077.	30145.73	454465.4	584014.4
Skewness	1.155287	1.315734	1.013301	1.407687
Kurtosis	3.171999	3.630113	2.689172	4.017596
Jarque-Bera	5.144654	7.016594	4.028574	8.588424
Probability	0.076358	0.029948	0.133416	0.013647
Sum	52750506	670937.0	12484892	13375024
Sum Sq. Dev.	9.98E+13	2.00E+10	4.54E+12	7.50E+12
Observations	23	23	23	23

Source: Author's compilation (2015)

The summary of the distribution is presented in table 1. It is seen that Average GDP, FDI,GE and GFCF are 2293500,29171,542821 and 581523 Million RS. respectively. The maximum value of GDP and FDI were 7578554 Million Rs. and 103456.0 Million RS. and the minimum values for GDP and FDI were 321784 Million Rs and 1294 Million Rs. Respectively.

Before estimating any relationships between GDP and its explanatory variables, we need to check for the stationary of each series. Therefore, unit root test was done since; the unit root test that captures the order of integration of the time series can be utilized to examine the stationarity. The unit root tests are carried out for all the variables in the model by using the Augmented Dickey-Fuller (ADF) test. The ADF results for the four series involved are presented in Table 2.

Table: 2 Augmented Dickey-Fuller stationarity test

Variable	Calculated ADF	ADF Critical	Prob.
GDP	-5.980637	-3.020686**	0.0001
FDI	-5.222426	-3.808546*	0.0005
GE	-7.047718	-3.020686**	0.0000
GFCF	-7.469889	-3.020686**	0.0000

Note: *and** indicates that the variable is stationary at the 1% and 5% level of significance respectively

Source: Author's compilation (2015)

I checked the stationary of the variables as mentioned in the methodology. I used Augmented Dickey Fuller (ADF) test as a unit root test and according to the ADF results, all the variables are stationary since the probability value of each series are 5% and 1% as mentioned above.

After ensuring the stationarity of series GDP,FDI,GE and GFCF, this section considers cointegration test and Maximum-Eigen tests, which helps to check whether or not the linear combination of the variables is stationary.

Table: 3 Johanson's co-integration Test
Unrestricted Cointegration Rank Test (Trace)

Hypothesized	Trace	Prob.**
No. of CE(s)	Eigenvalue	Statistic
None *	0.898467	89.92502 0.0000
At most 1 *	0.684339	41.89031 0.0013
At most 2 *	0.400497	17.67547 0.0231
At most 3 *	0.281101	6.930720 0.0085

Trace test indicates 4 cointegrating eqn(s) at the 0.05 level

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized	Max-Eigen		
No. of CE(s)	Eigen value	Statistic	Prob.**
None *	0.898467	48.03470	0.0000
At most 1 *	0.684339	24.21484	0.0178
At most 2	0.400497	10.74475	0.0675
At most 3 *	0.281101	6.930720	0.0085

Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level

Source: Author's compilation (2015)

For the investigation of stable long run relationships among GDP,FDI, GE and GFCF use Johanson's co-integration test and Maximum-Eigen tests statistics.

The results of the johansan's test and Maximum Eigen test exposed that the null hypothesis of the no co integrating equation is rejected in the 5% significance level. It can be concluded that there is a significant long run relationship among the given variables.

The following tables present the estimates of the normalized co integrating vector(s) and their respective standard errors (in parenthesis) as to reflect how much co integration there is for the analyzed period. And also, displayed the relationships between the dependent variables and Independent variables.

Table:4 Normalized co-integrating coefficients (standard error in parentheses)

Normalized cointegrating coefficients (standard error in parentheses)			
GDP	FDI	GE	GFCF
1.000000	19.21965	-3.323524	-0.782610
0.000000	(0.05926)	(0.04057)	(0.06411)

Source: Author's compilation (2015)

These results displayed indicate that there is a relationship between the GDP and the FDI, GE and GFCF. Therefore the results reveal and integrating equation, with a normalized co integrating coefficient. According to this result GE and GFCF have negative effects on GDP and FDI have positive effect on GDP.

Table:5 Regression Output

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	20600.14	19844.92	1.038056	0.1130
D(FDI)	0.066970	1.053335	0.823072	0.0512
D(GE)	1.850247	0.284754	6.497705	0.0000
D(GFCF)	1.890307	0.160385	11.78606	0.0000
R-squared	0.868091	Adjusted R-squared		0.862773
F-statistic	182.0333	Durbin-Watson stat		1.514577
Prob(F-statistic)	0.000000			

Source: Author's compilation (2015)

From Table 5, we form the equation of the relationship thus

$$\text{GDP} = 20600 + 0.066970\text{FDI} + 1.850247\text{GE} + 1.890307\text{GFCF}$$

$$(19845) \quad (1.05) \quad (0.28) \quad (0.16)$$

In this table GDP is dependent variable and FDI, GE and GFCF are independent variables. In this table the R square is coefficient of determination and it shows model fitness or model adequacy. The results of this study revealed that the model explains approximately 86.8% of the systematic variation in the level of economic growth in Sri Lanka between 1990 and 2012. These imply that the independent variables included in the model namely: FDI, GE and GFCF accounted for 86.8% of the total adjusted variation in the level of economic growth in Sri Lanka. In relation to statistical significance of each of the explanatory variables FDI, GE and GFCF were found to be statistically significant at the conventional level of significance (1%, 5% and 10%). Effects of the FDI on economic growth saw positive but it was a small value. Durbin-Watson (DW) statistic further confirms the statistical reliability and desirability of the estimation as there is no evidence of serial correlation. In this research, D.W. value is 1.51. It is high suggesting that there is no autocorrelation. D.W. value ranges between 1.48 and 2.52 so as to eliminate autocorrelation.

7. Conclusion and Recommendation

This paper analyzed the relationship between the FDI and economic growth in Sri Lanka and examined the effect of FDI on economic growth in Sri Lanka using time series data from 1990–2012. by using Johansen-Juselius cointegration test, maximum eigen test and multiple regression Based on the results of the study, the following conclusions are arrived at: According to above analysis, the study found that the FDI is an influential factor for economic growth in Sri Lanka. The results of the johansen's test and Maximum Eigen test exposed that the null hypothesis of the no co integrating equation is rejected in the 5% significance level. It can be concluded that there is a significant long run relationship between FDI and Economic Growth in Sri Lanka. The statistical evidence is based on co integration analysis adopting Johansen's methodology. The tests proved a long term equilibrium relationship between the variables considered. Based on the Hierarchical Multiple Regressions FDI has a positive effect on economic growth in Sri Lanka and it was a diminutive value (It does not imply that FDI is unimportant).

The following recommendations are made based on the outcome of this study:

Encouraging and friendly environment should be provided to the foreign investors in order to attract more FDI into the economy.

Sri Lankan Government and Central Bank of Sri Lanka jointly should take the necessary action to focus on the infrastructure development through the FDI to get the economic growth in the long term view.

Technology transfer should be encouraged by providing more incentives to foreign investors

Import-substitution policy can be used to enhance FDI in economies

FDI should be directed to agricultural activities to get the food sufficient aspects in the local and globalized level.

The finding suggests that better trade policy reforms, implementation aimed at promoting foreign direct investment and domestic investment, and restoring international competitiveness to expand and diversify the country's exports have the potential of accelerating economic growth in the future. Therefore, this study strongly recommends that to build and maintain supportable infrastructure facilities along with a stability of economic condition in the country by attracting FDI in order to achieve a higher economic growth.

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