Name of the Candidate: Mohammad Zain Khan

Topic: Determinants of Foreign Direct Investment in BIMSTEC Countries: An Empirical Analysis

Supervisor: Prof. Saif Siddiqui

Department: Management Studies, Faculty of Management Studies, JMI

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Findings:
The study reveals that Foreign Direct Investment (FDI) dynamics in BIMSTEC countries have evolved significantly over the past decades. FDI inflows to the region showed a clear upward trajectory from 1998 to 2023, nearly tripling during this period. However, the distribution of inflows has been uneven, with India and Thailand attracting the largest share due to their larger market size, stronger infrastructure, and deeper integration into global value chains. Smaller economies such as Bhutan, Nepal, and Myanmar received comparatively limited investment because of structural and institutional constraints. The inflow pattern also exhibited cyclical fluctuations, with rapid growth before the 2008 global financial crisis, followed by a temporary decline, recovery in the mid-2010s, disruption during the COVID-19 pandemic, and moderate stabilization afterward. The analysis further identified market size, exchange rate stability, inflation, trade openness, and political stability as the key determinants of FDI inflows. Among these, market size emerged as the most influential factor, indicating that investors in the BIMSTEC region are largely market-seeking.

In terms of outward FDI, BIMSTEC economies have gradually increased their overseas investments, particularly after 2010. India emerged as the leading outward investor, while Thailand, Bangladesh, and Sri Lanka also demonstrated growing international investment activities. The findings suggest that outward FDI is primarily driven by economic growth, trade openness, favourable exchange rates, and lower domestic interest rates.

Finally, the PMG-ARDL results confirm that FDI inflows contribute positively to long-term economic growth in BIMSTEC countries through capital formation, technology transfer, and employment generation, although short-term effects remain limited.

Keywords: Foreign Direct Investment, Economic Growth, BIMSTEC, Inflows, Outflows