

Determinants of Foreign Direct Investment in the Construction Sector in Nepal

Nirmal Paudel^{1*}; Madhu Bhetuwal²; Dr. Kamal Paudel³; Sanjaya Khanal⁴

¹ Civil Engineer, Civil Aviation Authority of Nepal, Kathmandu, Nepal

² Joint Secretary, Ministry of Energy Water Resources and Irrigation, Kathmandu, Nepal

³ Under Secretary Office of Prime Minister and Council of Ministries, Kathmandu, Nepal

⁴ Civil Engineer, Nepal Engineering College, Pokhara University, Nepal

Corresponding Author: Nirmal Paudel^{1*}

Abstract:- In order to attract Foreign Direct Investment (FDI), many countries embarked on various reforms. Nepal like many South Asian Countries, took some steps and introduced measures aimed at improving the FDI regulatory framework. Nepal possesses significant economic potential, including abundant water resources, tourism industry, a skilled workforce, and rich biodiversity. Realizing this potential and achieving targeted growth requires substantial investment from both bilateral and multilateral sources, as well as active participation from the private sector. In this context, the role of FDI becomes pivotal, not only for sustaining developmental efforts but also for alleviating poverty. This study examines the key determinants of FDI commitment in construction sector in Nepal. The FDI model is specified using identified determinants of FDI and a number of variables characterizing economic, financial and environmental indicators. Augmented Dickey Fuller Test is done to gauge the stochastic of time series data of FDI commitment of construction sector in Nepal. The time series data of 25 years from 1996 to 2021 A.D. is considered in analyzing the data using regression model analysis. GDP per capita, GNI per capita, doing business index, national wholesale price index, construction material price index, infrastructure development measured by Blacked Topped Road (BTR), NEPSE index and CO₂ emissions per capita are considered as independent variable in the research.

The analysis of model specification revealed that GDP per capita, CO₂ emissions per capita, and the NEPSE index, which serves as indicator of market stability and size, are the key determinants of FDI commitment within the construction sector in Nepal.

Keywords:- Foreign Direct Investment, Determinants, GDP Per Capita, CO₂ Emission Per Capita, NEPSE Index, National Wholesale Price Index.

I. INTRODUCTION

Foreign direct investment (FDI), which is the investment in physical assets (such as land, buildings, or even existing factories) in foreign enterprises, acquisition of foreign firms, and the creation of new overseas subsidiaries are common ways for multinational corporations (MNCs) to take advantage of international economic prospects. When correctly handled, any of these types of FDI can produce significant profits. However, as FDI calls for a sizable investment, a lot of money may be at risk. Additionally, if the investment doesn't work as well as anticipated, MNCs can find it challenging to sell the foreign enterprise it helped to build. Given these FDI return and risk characteristics, MNCs often do a thorough cost and benefit analysis prior to implementing any sort of FDI. It is conventionally defined as a form of international inter-firm cooperation that involves a significant equity stake in, or effective management control of foreign firm (Mello, 1997).

FDI is advantageous to both the host country and the MNC, making it a win-win situation can be vertical, horizontal, or conglomerate in nature. When an MNC invests in a host nation to conduct identical production operations to those it undertakes in its own nation, this is referred to as horizontal FDI. In contrast to conglomerate FDI, which occurs when an MNC invests in a completely unrelated industry that is not directly related to its existing business, vertical FDI involves an MNC fragmenting its production process globally by deploying each stage in the host country where it can be executed at the lowest possible cost (Protsenko, 2004).

While FDI can offer additional benefits and ultimately eliminate the need for foreign help, development aid alone cannot restore destroyed economies to healthy, self-sufficient systems (Turner et al., 2008). Using panel data, Khachoo & Khan (2012) look at the main factors that influence FDI influx in developing nations. The results demonstrate that FDI flows are closely correlated with market size, labor costs, overall reserves, and infrastructure. The trade openness variable, however, is not significant. Additionally, Jadhav & Katti (2012) look at many elements that influence FDI inflows. They look at the institutional and political factors that attract foreign investors to specific nations.

The role of infrastructure is prominent in attracting FDI in host country (Mohammad, vandnahidi et al., 2012).

Panel data was utilized by Imai, Gaiha, Ali, and Kaicker (2014) to examine how FDI affected economic development in 24 countries between 1980 and 2009. The factors taken into account included the GDP, remittances, inflation, civil wars, natural resource availability, investment, financial development, and capital account openness. Remittances are seen to have a greater impact on economic growth than FDI and ODA.

Mohammed and Mahfuzul (2016) conducted a study using annual time series data covering the years 1973 to 2014. They employed the cointegration method to examine the impact of Foreign Direct Investment (FDI) on the economy of Bangladesh. Similarly, Abdouli and Hammami (2017) utilizing panel data and a dynamic model studied to investigate the influence of economic growth, human capital, and the environment on FDI inflows in four African Mediterranean countries.

One of the main sources of a nation's GDP is FDI. The growth of the economy is boosted by foreign direct investment, according to empirical studies (Azam & Feng 2021; (Bermejo, Carbonell et al.,2018; Simplicio & Odhiambo 2020; Mahembe & Odhiambo 2019). Through the use of effective fiscal policies, FDI increases investment in the economy, which may subsequently be used to create jobs and end poverty (Anand 2019). FDI causes major economic swings in developing nations (Anetor 2019). According to some studies, FDI can have detrimental effects (Kastratovi 2020; Drabek 2021).

II. METHODOLOGY

A. Research Conceptual Framework

The theoretical literature review, revealed various theories aimed at elucidating the determinants of FDI. The major theories are the Mercantilism theory, Eclectic Paradigm theory, Absolute Advantage theory, theory based on Imperfect Market Competition. The Eclectic Paradigm theory by J.H Dunning follows the OLI framework. The major tiers of this OLI framework are ownership, location and internalization.

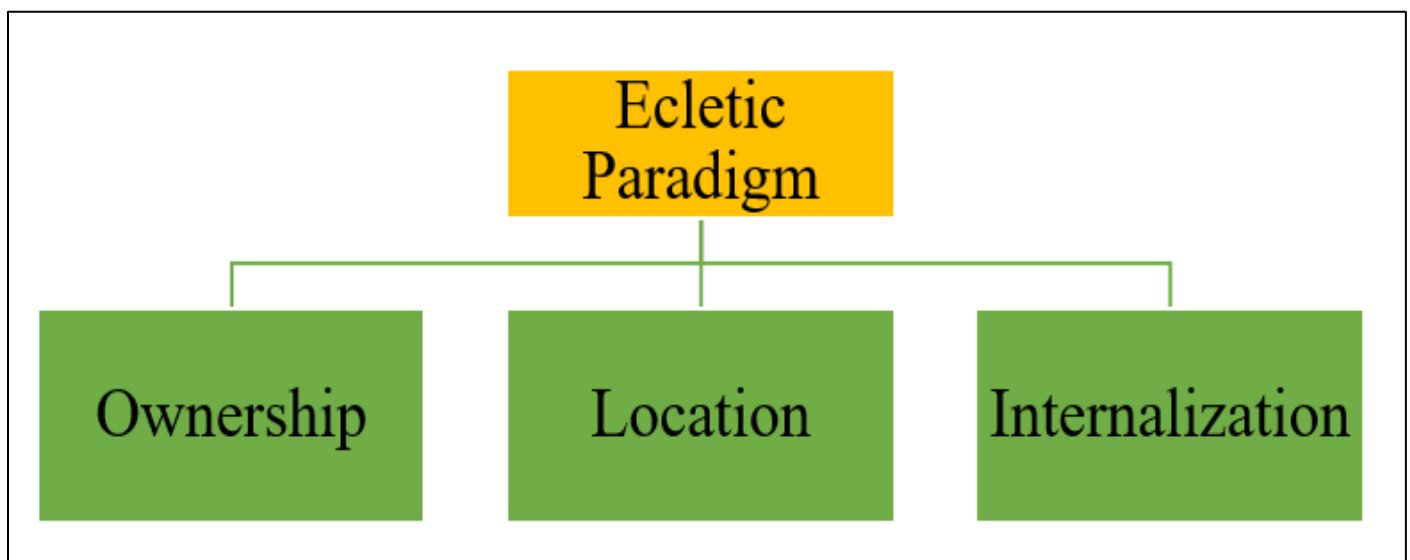


Fig 1: OLI Framework

Dunning (1977) identified four types of activities by MNCs: (a) Market– seeking investment, (b) Natural resource–seeking investment, (c) Strategic assets –seeking investment, and (d) Efficiency–seeking investment (Dhungel,2022).

The Growth Identification and Facilitation Framework (GIFF) framework provides pragmatic strategies for developing nations to pursue their comparative advantage in development through actionable development paths. In determining the FDI determinants various researchers used different models like linear regression model, OLS model, ARDL model and so on. The literature revealed the various economic, financial, political and risk analysis and

environmental variables used in analyzing the FDI determinants. Agarwal (1980) used time series data, and variable used were Market size, GDP, GNI, Per capita income. Hussain, and Kimuli (2012) also used time series data and instrumental variable approach methodology in determining FDI determinants.

Table 1: Comparative Study of Various Theoretical Framework on Determinants of FDI

Author(s)	Type of Data	Sample	Variables	Methodology	Main Results
Agarwal (1980)	Time series	USA	Market size (GDP, GNI, Per capita income)	OLS model	Direct relationship between market size and FDI
Lunn (1980)	Time series	USA	GDP, GNI, Per capita income)	OLS model	Direct relationship between market size and FDI
Blomstrom, and Kokko (2000)	Panel data	Europe	GDP growth, cost of labor, openness,	Auto regressive model and cointegration	Significant and positive relationship between dependent and independent variables
Asiedu (2006)	Time series	Africa	Infrastructure, GDP per capita consumption expenditure.	OLS model	Market size is the positive function of FDI inflows
Coleman, and Tettey (2008)	Time series	Ghana 1970 – 2002	Transportation, communication, cost of energy supply, GDP, trade policy	OLS model	Market size is a significant determinant of FDI
Hussain, and Kimuli (2012)	Time series	57 Developing countries 200 -2009	GDP, per capita, cost of labor, business policy	Instrumental variable approach	Market size is important determinant of FDI
Phung (2016)	Time series	Latin America and African developing countries 1990- 2014	GDP, GDP per capita, trade policy, infrastructure	Three stage least squares methods	Market size is a significant determinant of FDI inflows.
Wang and Swan (1995)	Time series	China and Hungary 1978-1992	Labor cost, adult literacy rate, government expenditure on health sector	Least squares Method	Positive relationship between human capital and FDI inflows in China and Hungary
Zhang, and Muskusen (1999)	Time series	China 1960- 1987	Human capital	Least squares Method	Significant and positive relationship between FDI inflows and human capital

B. Conceptual Framework of the Study

Three sets of variables were identified to examine the key determinants of FDI inflows in construction and infrastructure sector in Nepal. The variables were categorized into the economic variables, financial variables and the environmental variable.

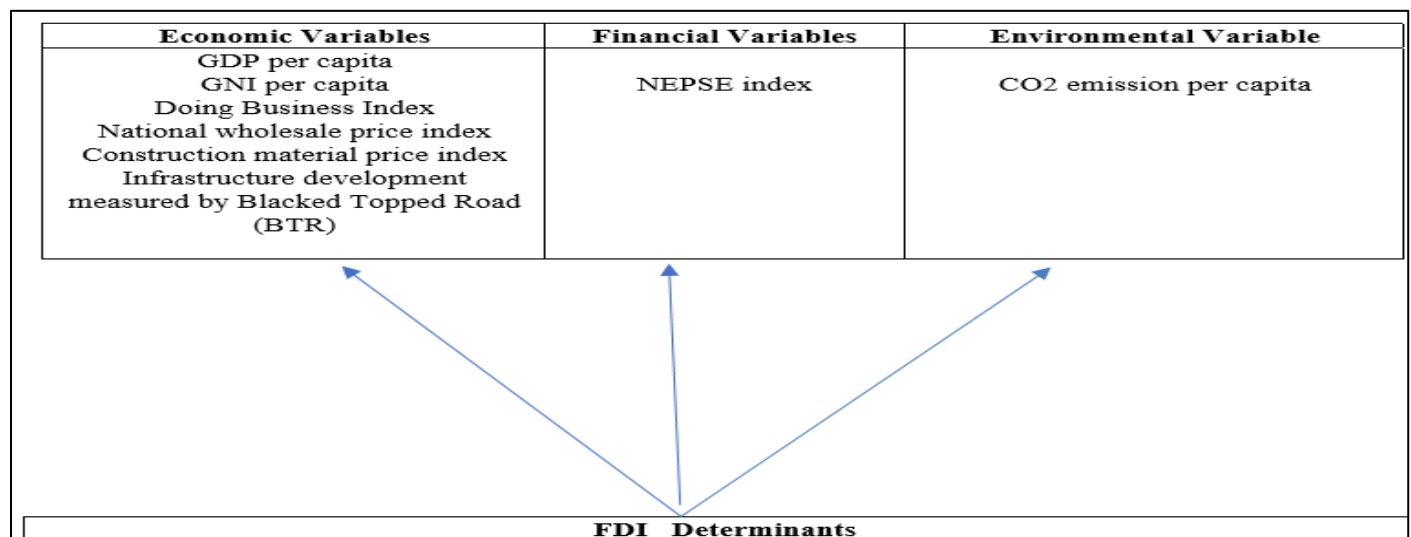


Fig 2: Conceptual Framework

C. Sources of Secondary Data and Variable Definition

Table 2: Variable Definition

Variables	Variable Definition	Data Sources
GDP_percap	Gross domestic Product per capita of host country measured in current USD	Nepal Rastra Bank (NRB)
DBI	DBI is the Doing business index of host country (Nepal) as a proxy measure for business environment,	World bank
CMPI	Construction material price index	NRB
NEPSE	NEPSE index as a proxy measure of market stability and size	NRB
BTR	Black Topped Road as a proxy measure of infrastructure development of host country measured in Km	NRB
CO2_PerCap	proxy for environmental risk measured by CO2 emission metric tons per capita,	World Bank, World Development Indicator
NWPI	National wholesale price index	NRB
FDI_infra	Total FDI commitment in construction sector (Million NRs.)	Department of Industry (DoI), Industrial statistics

D. Analysis and Validity of Model

➤ Dickey Fuller Test

A statistical hypothesis test called the Dickey Fuller Test is done to gauge how stochastic a time series data of FDI determinants and variable used in this study. The t-statistic produced by the Dickey Fuller test is compared to pre-set or predetermined critical values. Being below that the critical value permits the rejection of the null hypothesis and accept the alternative hypothesis.

The null hypothesis of the ADF test is, the time series is non-stationary. So, if the p value of the test is less than the significance level (0.05) then the null hypothesis is rejected and infer that the time series is indeed stationary.

E. Model Specifications

Time series data of 25 years from 1996 to 2021 AD of the variables was analysed with the help of following regression equations.

➤ Model Specification 1

- The regression equation for model specification 1 is specified as follows:
- $\Delta FDI_{infra} = \beta_0 + \beta_1 \Delta GDP_{percap} + \beta_2 \Delta DBI + \beta_3 \Delta CO2_{percap} + \beta_4 \Delta CMPI + \beta_5 \Delta BTR + \beta_6 \Delta NWPI + \beta_7 \Delta NEPSE + \epsilon$
- Where FDI_infra is the total FDI commitment in construction and infrastructure sector in Nepal.
- GDP_percap is the Gross domestic Product per capita of Nepal measured in current USD.
- DBI is the Doing business index of host country (Nepal) as a proxy measure for business environment.
- CO2_percap is the proxy for environmental risk measured by CO2 emission metric tons per capita.
- CMPI is the Construction material price index.
- BTR is the Black Toped Road as a proxy measure of infrastructure facility of host country measured in KM.
- NWPI is the National wholesale price index.

- NEPSE is the NEPSE index as a proxy measure of market stability and size.
- β_0 is the intercept term.
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ and β_7 are the coefficients associated with their respective independent variables.
- ϵ is the error term.
- The operator
- Δ represents the first difference of the variable.

III. RESULT AND DISCUSSION

The empirical results from different model specifications are presented in the table to determine the determinants of FDI commitment in construction sector in Nepal. The summary statistics of the variables used in the model specification is shown in the table 3.1. Summary statistics are numerical measures that provide an overview of the key characteristics of a dataset used in the model specification. The first difference of the variable is used while calculating summary statistics. The summary statistics of the variable used include the mean, standard deviation, minimum and maximum values along with a number of observations. Similarly, Table 3.2 shows the Pairwise Correlation Coefficient of Variable with First Order Differentiation Used in Model Specification, Table 3.3 exhibits the Empirical Results of Augmented Dickey Fuller Test for Model and Table 3.4 illustrates the key Determinants of FDI in Construction Sector in Nepal.

Table 3: Summary Statistics of the Variable Used in Model Specification 1

Variable	Obs	Mean	Std. Dev.	Min	Max
DFDI_infra	25	66.0664	617.295	-1746.74	1725.49
DGDP_percap	25	46.62151	59.68401	-37.49533	204.6736
DDBI	25	0.0644	1.988582	-8.6	2.82
CO2_PerCap	25	0.0141167	0.0375503	-0.0664599	0.1134269
DCMPI	25	3.512	3.018014	-4.178427	9.658898
DBTR	25	520.2	646.5553	30	3233
DNWPI	25	4.118709	3.066224	0	11.63232
DNEPSE	25	107.912	376.8031	-370.31	1521.06

Table 4: Pairwise Correlation Coefficient of Variable with First Order Differentiation Used in Model Specification

Variable	DFDI_infra	DGDP_percap	DDBI	DCO2_PerCap	DCMPI	DBTR	DNWPI	DNEPSE
DFDI_infra	1							
DGDP_percap	0.3416	1						
DDBI	-0.0052	0.0794	1					
DCO2_PerCap	-0.0813	0.4629	-0.3077	1				
DCMPI	0.004	0.2386	-0.2008	0.2959	1			
DBTR	0.0671	-0.0395	0.0317	0.0384	0.0365	1		
DNWPI	0.1928	0.2673	0.0028	-0.0211	0.0894	0.3606	1	
DNEPSE	0.445	0.2826	0.3148	0.0367	-0.1246	0.0655	0.3693	1

Table 5: Empirical Results of Augmented Dickey Fuller Test for Model Specification

Variable	ADF Test Statistics Intercept	Mac Kinnon P -value
GDP_percap	1.257	0.9964
DBI	-1.398	0.5834
CO2_PerCap	0.339	0.9791
CMPI	0.118	0.9673
BTR	-1.796	0.9983
NWPI	-5.288	1
NEPSE	0.62	0.9881
DGDP_percap	-3.709	0.004
DDBI	-4.277	0.005
DCO2_PerCap	-4.267	0.005
CMPI	-4.929	0
DBTR	-4.078	0.0011
DNWPI	-0.432	0.0003
DNEPSE	-2.737	0.0479
DFDI_infra	-3.87	0.0023
FDI_infra	-6.255	0

Table 6: Determinants of FDI in Construction Sector in Nepal

	(1)	(2)
VARIABLES	DFDI_infra	DFDI_infra
DGDP_percap	4.984*	
	(2.517)	
DCMPI	5.039	2.216
	(41.950)	(41.681)
DBTR	0.139	0.144
	(0.199)	(0.197)
DDBI	-103.227	-106.581
	(68.833)	(68.319)
DCO2_PerCap	-7,254.815*	-7,611.034*
	(4,001.313)	(4,001.574)
DNWPI	-36.210	-41.371
	(47.288)	(47.374)
DNEPSE	0.802**	0.801**

	(0.368)	(0.364)
DGNI_percap		5.384*
		(2.574)
Constant	-84.605	-65.607
	(236.104)	(232.781)
Observations	25	25
R-squared	0.395	0.408
Adj. R squared	0.146	0.164
Standard errors in parentheses		
*** p<0.01, ** p<0.05, * p<0.10		

Regression model incorporates several independent variables, including GDP per capita, CO₂ emissions per capita, and the Nepal Stock Exchange (NEPSE) index, GNI per capita, BTR as Black Toped Road as a proxy measure of infrastructure facility of host country measured in KM, NWPI as the National wholesale price index, NEPSE as the NEPSE index as a proxy measure of market stability with first differences taken as variables in the regression equation.

A. Validity and Robustness of the Model Specification

It is observed that there is consistency of the estimated coefficients of independent variables across different samples or under variations in the dataset. In regression analysis, it's desirable for the signs (positive or negative) of coefficients to remain consistent across different model specifications or when similar variables are added or removed. In model specification 1, replacing the independent variable GDP per capita with GNI per capita, it is found that there is no significant change in the coefficient and the sign also remains consistent which validates the model specification.

B. Determinants of FDI in Construction Sector in Nepal

The table above shows the coefficients, standard errors, t-values, and p-values for the independent variables in the regression equation. It is evident that GDP per capita, Co₂ emission per capita and NEPSE index are the significant determinants of FDI commitment in construction sector in Nepal.

➤ GDP per Capita

While the coefficient is positive (4.984), indicating a positive relationship between changes in GDP per capita and FDI, it is not statistically significant at 10% level. The result of the regression model suggests that there is a positive relationship between changes in GDP per capita and Foreign Direct Investment (FDI) commitment in construction sector. Specifically, for every unit increase in GDP per capita, the FDI is expected to increase by approximately 4.984 units. That is, in this model, for every increase in GDP per capita by one USD, the FDI in construction sector in Nepal is increased by 4.984 Million Nepali Rupees (NRS).

GDP per capita is a crucial determinant of Foreign Direct Investment (FDI) in Nepal's construction sector. A higher GDP per capita signifies a more prosperous economy, indicating a larger and more affluent consumer base. This, in turn, creates increased demand for residential, commercial, and infrastructure projects, making Nepal an attractive destination for FDI. Additionally, countries with higher GDP

per capita often boast better infrastructure, political stability, and regulatory frameworks, reducing investment risks. Investors seek opportunities for growth and profit in stable environments, making Nepal's efforts to raise its GDP per capita pivotal in attracting FDI and fostering growth in the construction sector.

➤ CO₂ Emissions per Capita

The coefficient for CO₂ emissions per capita is negative (-7254.815), suggesting that higher CO₂ emissions per capita are associated with lower FDI inflows in construction sector in Nepal. This relationship is statistically significant at the 10% level (p=0.088). In regression model analyzing the relationship between CO₂ per capita emissions and FDI, a negative coefficient for CO₂ per capita suggests an inverse association between environmental pollution and FDI. Furthermore, we can say that FDI commitment in construction sector is highly sensitive to the environmental issues. This negative relationship may imply that investors are drawn to countries with cleaner, more sustainable environments, where they perceive lower environmental risks or greater potential for sustainable growth. Alternatively, governments implementing stricter environmental regulations might deter FDI due to compliance costs and the result of this findings is fairly consistent with Smith. (Saqib et al., 2023).

➤ NEPSE Index

The NEPSE index exhibits a positive and statistically significant relationship. This relationship is statistically significant at the 5% level. (p=0.044). The coefficient for NEPSE index is positive (0.802), suggesting an increase in the NEPSE index is associated with higher FDI inflows into construction sector in Nepal. This finding highlights the importance of a strong and thriving stock market in attracting foreign investors indicating the market stability as an important indicator or determinants of FDI in Construction sector in Nepal.

And the result of this findings is fairly consistent with Hussain and Kimuli(2012),Smith et al. (2017), Chen and Wang (2019), Kumar and Patel (2020), Lee and Kim (2021).

IV. CONCLUSION

The findings of regression analysis provide valuable insights into the determinants of FDI in construction sector in Nepal. The time series data for the dependent and independent variable were analyzed from the period of 1996 to 2021A.D to find the key determinants of FDI in construction sector. Through regression model analysis, using STATA the study uncovered key determinants of FDI commitment in construction sector. From the model specifications, it is concluded that the GDP per capita, CO₂ emission per capita, and the NEPSE index as a measure of market stability and size are the significant determinants of FDI in construction sector in Nepal.

REFERENCES

- [1]. Abdouli, M., & Omri, A. (2021). Exploring the nexus among FDI inflows, environmental quality, human capital, and economic growth in the Mediterranean region. *Journal of the Knowledge Economy*, 12, 788-810.
- [2]. Abdul Rashid, I. M., Abu Samah, I. H., Hassan Basri, H., & Yeong, S. J. (2017). Impact of inflation and exchange rate towards foreign direct investment (FDI) in construction sector in Malaysia: An empirical study on the cross-sectional data by using EViews, 1992-2012. *Jurnal Intelek*, 12(1), 79-84.
- [3]. Agarwal, J. P. (1980). Determinants of foreign direct investment: A survey.
- [4]. Anetor, F. O. (2019). Foreign direct investment inflows and real sector: A vector autoregressive (VAR) approach for the Nigerian economy. *The Journal of Developing Areas*, 53(3).
- [5]. Asbullah, M. H., Shaari, M. S., Zainol, N., & Abidin, S. N. J. M. R. (2022). Determinants of foreign direct investment (FDI). *Sciences*, 11(3), 213-232.
- [6]. Asiedu, E. (2006). Foreign direct investment in Africa: The role of natural resources, market size, government policy, institutions, and political instability. *World Economy*, 29(1), 63-77.
- [7]. Azam, M., & Feng, Y. (2021). Does foreign aid stimulate economic growth in developing countries? Further evidence in both aggregate and disaggregated samples. *Quality & Quantity*, 1-24.
- [8]. Basudev, D. (2022). Foreign direct investment in Nepal: Determinants and role in the manufacturing sector. Ph.D. research, Tribhuvan University, Nepal.
- [9]. Biswo, J. (2020). Assessment, ranking, and analysis of opportunities and challenges in hydropower development through foreign direct investment in Nepal. M.Sc. thesis, Pokhara University, Nepal.
- [10]. Bitzenis, A. (2001). The determinants of FDI in transition countries: Incentives and barriers based on a questionnaire research: The case of Bulgaria, 1989-2000. *International and Monetary Aspects of Transition in Southeastern Europe*, 6, 89-144.
- [11]. Bujang, M. A., Omar, E. D., & Baharaum, A. N. (2018). A review on sample size determination for Cronbach's alpha test: A simple guide for researchers. *The Malaysian Journal of Medical Sciences*.
- [12]. Chawla, K., & Rohra, N. (2015). Determinants of FDI: A literature review. *The International Journal of Business & Management*, 3(3), 227.
- [13]. Chen, J. E., & Zulkifli, S. A. M. (2012). Malaysian outward FDI and economic growth. *Procedia-Social and Behavioral Sciences*, 65, 717-722.
- [14]. Cleeve, E. A., Debrah, Y., & Yiheyis, Z. (2015). Human capital and FDI inflow: An assessment of the African case. *World Development*, 74, 1-14.
- [15]. Dangal, V. (2015). Status, possibilities, and challenges of foreign direct investment in Nepal (Master's thesis, University Nordland).
- [16]. De Mello Jr, L. R. (1997). Foreign direct investment in developing countries and growth: A selective survey. *The Journal of Development Studies*, 34(1), 1-34.
- [17]. Dunning, J. H. (1973). The determinants of international production. *Oxford Economic Papers*, 25, 289-336.
- [18]. Dunning, J. H. (1977). Trade location of economic activity and the MNE: A search for an eclectic approach. In *The International Allocation of Economic Activity* (pp. xx-xx). Macmillan, London.
- [19]. Economou, F., & Hassapis, C. (2015). Foreign direct investment inflows determinants in four South European economies. *Investment Management and Financial Innovations*, 12(3), 182-189.
- [20]. El-Rasheed, S. H., & Abdullahi, B. M. (2022). Revisiting foreign direct investment-economic growth nexus in Nigeria: An ARDL approach. *Journal of Economics and Allied Research*, 7(4), 29-47.
- [21]. Government of Nepal, Ministry of Industry, Commerce and Supplies, Department of Industry. (2022). *Foreign Investment in Nepal 2022: A Synopsis*. Kathmandu: Department of Industry, Foreign Investment and Technology Transfer Section.
- [22]. Guriş, S., & Gozgor, K. (2015). Trade openness and FDI inflows in Turkey. *Applied Econometrics and International Development*, 15(2), 53-62.
- [23]. Hasan, R., & Kim, K. (2014). Revisiting foreign direct investment in Nepal: Problems and prospects. *International Journal of Development Research*, 4.
- [24]. Hayat, U., & Idrees, M. (2022). Foreign direct investment by multinational firms and transfer of technology to developing nations like Nepal. *Journal of Contemporary Macroeconomic Issues*, 3(2), 90-102.
- [25]. Hussain, M. E., & Haque, M. (2016). Impact of economic freedom on the growth rate: A panel data analysis. *Economies*, 4(2), 5.
- [26]. Imai, K. S., Gaiha, R., Ali, A., & Kaicker, N. (2014). Remittances, growth, and poverty: New evidence from Asian countries. *Journal of Policy Modeling*, 36(3), 524-538.
- [27]. Johnson, J. W., & LeBreton, J. M. (2004). History and use of relative importance indices in organizational research. *Organizational Research Methods*, 7(3), 238-257.

- [28]. Kamal, P. (2021). Determinants of OFDI from China: Significance on global economy and FDI inflow in Nepal. Ph.D. research, Institute of South-South Cooperation and Development (ISSCAD), Peiking University, China.
- [29]. Kargi, B. (2013). Integration between the economic growth and the construction industry: A time series analysis on Turkey (2000-2012). *Emerging Markets Journal*, 3(1), 20-34.
- [30]. Kheng, V., Sun, S., & Anwar, S. (2017). Foreign direct investment and human capital in developing countries: A panel data approach. *Economic Change and Restructuring*, 50, 341-365.
- [31]. Kumar, N. N., Patel, A., Prasad, N. S., & Chandra, R. A. (2022). Nonlinear effect of foreign direct investments on tourism demand. *Journal of Policy Research in Tourism, Leisure and Events*, 1-21.
- [32]. Kyereboah-Coleman, A., & Agyire-Tettey, K. F. (2008). Effect of exchange-rate volatility on foreign direct investment in Sub-Saharan Africa: The case of Ghana. *The Journal of Risk Finance*, 9(1), 52-70.
- [33]. Lee, R., & Lee, Y. I. (2021). The role of nation brand in attracting foreign direct investments: A case study of Korea. *International Marketing Review*, 38(1), 124-140.
- [34]. Lucas, R. E. (1990). Why does not capital flow from rich to poor countries? *American Economic Review*, 80(2), 92-96.
- [35]. Lunn, J. (1980). Determinants of US direct investment in the EEC: Further evidence. *European Economic Review*, 13, 93-101.
- [36]. Ly, B. (2021). The implication of FDI in the construction industry in Cambodia under BRI. *Cogent Business & Management*, 8(1), 1875542.
- [37]. Macrotrends. (n.d.). Nepal GDP per capita. Macrotrends. Available at: <https://www.macrotrends.net/countries/NPL/nepal/gdp-per-capita>
- [38]. Market Prospects. (n.d.). Global construction industry. Market Prospects. Available at: <https://www.market-prospects.com/articles/global-construction-industry>
- [39]. Mason, R. L., & Vracheva, V. (2017). The impact of inflation targeting on attracting foreign direct investment. *Journal of Applied Business and Economics*, 19(4), 79-94.
- [40]. Mumtaz, M. Z., Smith, Z. A., & Khan, A. H. (2017). An analysis of Chinese outward foreign direct investment in emerging and developing countries: Implications for Pakistan under CPEC. *The Journal of Social, Political, and Economic Studies*, 42(3/4), 327-367.
- [41]. Muzurura, J. (2019). Determinants of foreign direct investment (FDI) in Zimbabwe: What factors matter? *Journal of Risk Finance*, 11, 9-23.
- [42]. Nepal Rastra Bank. (2020). *Report on the current macroeconomic and financial situation of Nepal: Annual Report 2020/21*. Kathmandu: Nepal Rastra Bank.
- [43]. Nepal, R. (2022). *Determinants of foreign direct investment (FDI) in Nepal*. Unpublished master's thesis, Tribhuvan University, Kathmandu.
- [44]. Nguyen, T. Q., Duong, H. T., & Ho, T. H. (2022). The impact of trade openness and foreign direct investment on economic growth in Vietnam: A panel data approach. *The Journal of Asian Finance, Economics and Business*, 9(3), 75-86.
- [45]. Obiwuru, T. C. (2011). Foreign direct investment and poverty reduction in Nigeria. *Journal of Business Administration and Education*, 3(1), 20-29.
- [46]. Pal, K. (2021). *The Effect of Chinese Investments in Pakistan: A Case Study of Gwadar*. Ph.D. dissertation, University of Beijing, China.
- [47]. Petkova, K. (2019). *Foreign Direct Investment and Industrial Restructuring in Bulgaria*. Palgrave Macmillan.
- [48]. Samreth, S., & Kim, S. (2017). Determinants of FDI in Cambodia: What factors matter? *Asian Economic and Financial Review*, 7(1), 57-73.
- [49]. Singh, P. (2018). Human capital and foreign direct investment in India. *Journal of Economic Development*, 43(3), 1-22.
- [50]. Smith, A. (1776). *The Wealth of Nations*. London: W. Strahan and T. Cadell.
- [51]. Solow, R. M. (1956). A contribution to the theory of economic growth. *Quarterly Journal of Economics*, 70(1), 65-94.
- [52]. UNCTAD. (2022). *World Investment Report 2022: International tax reforms and sustainable investment*. Geneva: United Nations. Wang, X., & Meng, L. (2018). Determinants of FDI in Southeast Asia. *Asian Economic Journal*, 32(4), 385-411.
- [53]. Williamson, J. (1996). The determinants of capital flows: A review of literature. In *Determinants and Systematic Consequences of International Capital Flows*. IMF, 1996.
- [54]. Wilson, D. (2010). Nigeria's role in attracting foreign direct investment in West Africa. *The Journal of Pan-African Studies*, 3(3), 95-112.
- [55]. World Bank. (2022). *World Development Indicators: Nepal*. Available at: <https://data.worldbank.org/indicator>
- [56]. Yang, H. Y. (2007). FDI and economic growth: The cause and effect. *Journal of International Trade & Economic Development*, 16(3), 261-283.
- [57]. Yeboah, E. H. (2022). *The effect of FDI on economic growth: Evidence from Sub-Saharan Africa*. Unpublished Ph.D. thesis, University of Ghana.
- [58]. Yu, J., & Song, M. (2021). The effect of financial development on FDI: The role of institutional quality and income levels. *Economic Modelling*, 97, 148-162.
- [59]. Zhang, J., & Felmingham, B. (2001). The relationship between inward FDI and the growth of labour productivity in China. *Applied Economics Letters*, 8(8), 509-512.