

Table 4: Impact of FDI on Investment

Dependent Variables: Gross domestic capital formation as percentage of GDP

| Variables | OLS Pooled Regression | GMM Panel Estimation | |
|----------------------------|--------------------------|----------------------|-------------------|
| | | Period (1970-2003) | 1990-2003) |
| Constant | 2.54* (3.30) | -0.003 (-0.10) | |
| GDCF _{t-1} | 0.76* (8.32) | 0.58* (5.98) | 0.63* (3.43) |
| GDCF _{t-2} | 0.11* (1.25) | 0.10 (1.13) | 0.06 (0.72) |
| FDINFY | 0.27 (0.51) | 0.47 (0.69) | -0.40 (-0.54) |
| FDINFY _{t-1} | 1.13*** (1.78) | 1.42* (2.04) | 1.13*** (1.77) |
| FDINFY _{t-2} | -0.61 (-0.93) | -0.75 (-1.11) | 1.23*** (1.81) |
| GDPGR | 0.03 (0.61) | 0.18* (2.62) | 0.45* (2.80) |
| No. of Observations | 124 | 124 | 40 |
| Sargan Test | | 86.54 (0.52) | 22.40 (0.55) |
| R2 | 0.83 | | |
| F (7, 116) | 82.53* | | |
| Autocorrelation order 1 | | -7.70 (0.00) | -2.92 (0.00) |
| Autocorrelation order 2 | | 0.80 (0.42) | 0.35 (0.72) |

Note: * significant at 1%, ** significant at 5% and *** significant at 10% level.