Title: Exploring the nexus between FDI inflows and economic growth: A sectoral level analysis

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Abstract: This study investigates the relationship between Foreign Direct Investment (FDI) inflows and economic growth at sectoral levels in Bangladesh, employing a panel study framework. Utilizing sectoral-level panel data spanning six sectors from 2007–08 to 2018–19, the analysis is conducted using Panel Vector Error Correction Model (Panel VECM). Results from panel unit root tests confirm that all variables are integrated of order one I (1), indicating stationarity. The Pedroni panel co-integration test further supports the presence of co-integration among the variables. Notably, the Panel VECM reveals evidence of a unidirectional causal relationship from Real Gross Domestic Product (RGDP) to Real Foreign Direct Investment (RFDI) across all six sectors of Bangladesh. The findings underscore the significance of formulating pragmatic policies and implementing them effectively to attract FDI across sectors, thereby contributing to the overall economic growth of Bangladesh.

Keywords: Foreign Direct Investment (FDI); Economic growth; Sectoral analysis; Panel data; Panel Vector Error Correction Model (Panel VECM); Unit root test; Causality; Real Gross Domestic Product (RGDP)

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