

## The Impact of Foreign Capital Inflows on Economic Growth in Bangladesh

Md Imran Hossain Milon<sup>1</sup>, Dr. Rahim M. Quazi<sup>2\*</sup>, and  
Dr. Mohammad Abdul Hannan Pradhan<sup>3</sup>

### ABSTRACT

Bangladesh has received a huge influx of foreign capital inflows (FCIs) since its independence. This study uses the Autoregressive Distributed Lag (ARDL) bounds testing co-integration model to 1976-2019 time series data to investigate the impacts of FCI and its components (foreign direct investment, foreign aid, and remittance earnings) on economic growth in Bangladesh. The estimated results suggest that FCI and its components generally promote economic growth in the long run, but their short-run impacts on economic growth are generally negative. The study also finds that gross capital formation promotes economic growth both in the short run and long run; trade openness and population growth have mixed impacts; and natural and political instability lowers economic growth both in the short run and long run. These results provide valuable insights to policymakers regarding the long-run vs. short-run effects of FCIs on the economic growth trajectory in Bangladesh.

**Keywords:** Foreign capital inflows, foreign direct investment, foreign aid, remittances, economic growth, Bangladesh

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<sup>1</sup> Department of Economics, Shahjalal University of Science & Technology, Sylhet, Bangladesh. E-mail: [miloneco26@gmail.com](mailto:miloneco26@gmail.com)

<sup>2</sup> College of Business, Prairie View A&M University, Texas, USA  
E-mail: [rmquazi@pvamu.edu](mailto:rmquazi@pvamu.edu)

<sup>3</sup> Department of Economics, Shahjalal University of Science & Technology, Sylhet, Bangladesh. E-mail: [pradhanhannan@gmail.com](mailto:pradhanhannan@gmail.com)