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IMPLICATION OF THE EASE OF DOING BUSINESS FOR
FOREIGN DIRECT INVESTMENT: A PANEL DATA ANALYSIS
OF ASIAN COUNTRIES

Received: 21 June 2022 / Accepted: 29 November 2022

Abstract

This study examined the behaviour of businesses in 46 Asian republics from 2004 to 2019 that were ranked high on the business index of the World Bank. The study uses the ten parts of the commercial index as independent variables. The interest rate, rise in general price level, per capita GDP, and population are the focus variables of the research. The variables' values were derived from the WDI and Doing Business Index. The goal of this research is to determine why Asian countries receive the most foreign direct investment (FDI). The study used fixed effect, random effect and instrumental variable techniques for estimation. According to the findings, factors of the Doing Business Index, such as business startup, obtaining electricity, obtaining building licences, and property registration, have analytically substantial implications for foreign direct investment when the business is relocated. Similarly, obtaining financial assistance, defending minority investors, resolving commercial disputes, and enforcing contracts revealed significant affirmative impacts on FDI influx. Only two factors, paying taxes and cross-border trade, have a strong negative relationship with FDI influx. The study's findings can aid policymakers in improving the commercial atmosphere in terms of the

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characteristics that affect the Doing Business Index. On the other hand, according to the report, to considerably increase FDI inflows in the future, there is a significant need to increase reliability in the enforcement of contracts, to improve the equitability of electric utilities, to improve tax procedures, and to properly deal with construction permits.

JEL CLASSIFICATION: F02

KEYWORDS: EASE OF DOING BUSINESS INDEX; FOREIGN DIRECT INVESTMENT; GDPPC, INFLATION, ASIAN COUNTRIES

1. Introduction

Since 1967, Asia has been a dynamic region in terms of FDI and international commerce (Morris & Aziz, 2011). Asian countries have gone through a series of economic integration stages. A business-friendly climate and effective entrepreneurship are the driving forces behind Asian countries' competitiveness and appeal to multinational enterprises (MNEs) (Vogiatzoglou, 2016). Firms and entrepreneurs obey several business regulations linked to beginning and ending a private enterprise, permissible registering, and hiring employees. Because of the differences in the business environment, the quality of this regulation may vary greatly (Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2002).

Controlling ownership of commercial enterprises in local states by a company headquarters in a foreign state is termed FDI. Controlling the proprietorship of a business enterprise in the domestic country by a company headquartered in a foreign country is considered FDI. FDI is not the same as international financial assets (Winder, 2006). Portfolio investment is described as an investment in the host country's commercial sanctuary, such as public stocks and bonds (Goldstein & Razin, 2006). In recent years, Asian countries have been dubbed the world's top FDI-attracting countries (Xing & Wan, 2006).

Horizontal, vertical, and conglomerate are the three types of FDI. Horizontal investment refers to an investor's establishment of the same sort of business in the host country as in their home country. Vertical FDI refers to associated but distinct commercial procedures undertaken by investors in a foreign country. The home country, in contrast to the previously listed kinds, investigates completely unconnected homemade commercial events across the

state border, often recognized as composite FDI. This sort of investment involves investors that have no prior business experience in a new industry (Aizenman & Marion, 2004).

Simon Djankove investigates the concept of an ease of doing business index (Business, 2009). This index assesses countries based on their economic performance or regulatory framework. The higher a country's economic ranking is, the better its business regulatory performance will be. Essentially, the discrete average notch of the component of the EDB Index determines the economies ranking. The mark ranged from 0 to 100, with economies nearing one hundred (100) addressing the efficient business climate. Beginning a trade, obtaining licences of building construction, obtaining energy, recording ownership rights, obtaining finance, investor protection, repaying duties, overseas business, implementing agreements, and solving commercial disputes are indicators of a doing business index. These indicators have gained prominence in recent years, particularly in Asian countries. The Asian countries with the uppermost marks in the easiness of business startup have a number of qualities in common (Asongu, 2019), such as the usage of an automated arrangement, wired registering property, and tax procedures based on digitalization. All Asian regions that have the highest score in straightforwardness of startup show operative innovative movement (Business, 2019; Ermias Moges Ebero & Mustiary Begum, 2016; Shahadan, Sarmidi, & Faizi, 2014).

Hymer (1960), known as the "Ancestor of Global Trade," operated on FDI for a time. Prior to his FDI thesis, every investment was viewed as a form of cross-border capital mobility. The differential in interest rates across countries determined this capital migration. In reaction to criticism of macrolevel theory, Hymer developed his own microlevel theory. Multinational corporations are chosen over market-size institutions, according to his FDI theory, since multinational firms efficiently manage economic operations, set prices, and convey knowledge. Financial portfolio and foreign direct investment, he said, are two different things. Portfolio investment is only based on interest rate differentials between countries, whereas firms regulate business activity across country borders through FDI. According to Hymer, FDI would flow into any country if the market structure of that country was flawed enough to offer advantages. Hymer examined the two factors that influence FDI. The first element is the elimination of competition, while the other is the advantage that only infrequent businesses have in their particular operations (Djankov, McLiesh, & Klein, 2004; Popovici & Călin, 2014).

There are numerous alternative investment theories; among them, the effective concept was elaborated upon by Dunning in 1979 and is termed the electric paradigm model. This comprises three dimensions: location, industrialization and ownership. Foreign enterprises in host nations face challenges due to their nonnative status (not understanding the national language and having poor awareness of host consumer demand). As a result, enterprises with special competitive advantages relocated abroad to counter this disadvantage. The greater the competitive advantages of ownership is, the greater the investment firm's production in host countries is. Cheap raw materials, a low salary rate, a skilled work force, and lower taxes on trade are all rewards of the location, which is the second component of the electric paradigm. In the most recent research, Porter's diamond model is utilized to determine location advantages. Internationalization, which includes licensing, is the final benefit of the OLI framework (Denisia, 2010). Management wants to be able to scheme its invention autonomously, regulate their procedures, and participate in foreign direct investment. This milestone is achieved by enterprise collaboration or a Greenfield venture (Kersan-Skabic & Orlic, 2007).

Aside from the Hymer and Dunning theories of foreign direct investment, there are numerous more ideas that are divided into microeconomic and macroeconomic perspectives. Macroeconomically specific aspects such as nationwide wages, country evolution rates, trade, and rising price levels are highlighted in macroeconomic-based FDI theories. Microbased FDI theories, on the other hand, focus on business ownership, industrial economics, and market imperfections (Makoni, 2015).

Ramond Vernon devised the four-stage theory of production in 1966 as a consequence of the letdown of the Heckscher-Ohlin framework, generally known as the H-O model, in international trade. According to this notion, the product and the work associated with it must originate in the region in which the product was invented. The stages of this hypothesis are introduction, growth, maturity, decline, and surplus. New invented goods are first introduced in the market at the stage of introduction. To stimulate demand, the producer creates an announcement to encourage sales. The return generated by the manufacturer on the auction of an invention at the outline stage is lower, but there is an improvement in the arrangement of reduced market rivalry.

The second phase of this hypothesis begins when client demand for the product increases, lowering the production's expenses and increasing the producer's revenue. The third stage demonstrates that the invention is in high

demand on a big range and that manufacturers are facing market saturation. The maturity phase is the name given to this stage. During this period, inventors sell their products to high-income countries and at profit handsomely. The final phase, the diminishing phase, implies that the product will be discontinued due to excessive production costs (Ayal, 1981; Denisia, 2010; Jensen & Thursby, 1986).

1.1. Objective of the study

The main objective of the study is to investigate the individual impact of ease of doing business factors on the inflow of foreign direct investment (FDI) to Asian countries. These factors are starting a business, obtaining electricity, obtaining credit, trading across borders, resolving insolvency, protecting investors and dealing with construction permits. Furthermore, another purpose of the research is to recommend the appropriate policy that helps the government to adopt suitable business reforms that play a significant role in attracting FDI.

2. Literature review

Substantial research work exists on the association between FDI and easiness of business procedures. Considerable analysts, entrepreneurs, and enterprises have elaborated the bond between venture and the EDB Index as per their own viewpoint. The study's goal is to look at more effective business policies and tactics for attracting FDI inflow. The EDB Index with the highest ranking (lower numerical value) has stronger rules and regulations for business changes. However, the EDB Index was unable to account for distinctive factors, including infrastructure, scale of the market, corruption, and stability of institutions.

Piwonski (2010) investigated the relationship between administration achievement and foreign direct investment inflows using doing business measures as proxy variables. He opted for 145 countries during 2009 and 2010. As independent variables in the model, the study used EDB Index indicators. He concluded that DBI and FDI were highly connected.

Elements that affect business and investment in African and Asian countries are investigated by (Morris & Aziz, 2011). The mockup consisted of fifty-three states, thirty-three of which were Saharan, while the remaining were Asian, from 2000 to 2005. They concluded that MNEs invest in Asian and African countries because of market size rather than the

convenient business climate.

Kang and Jiang (2012) investigate the trait that fascinates Chinese multinational corporations and draws them to invest in a different place. They examined two traditional economic and institutional factors that can motivate multinational businesses to invest in other countries. Apart from macro and micro growth determinants, technology, sales volume, skilled labour, and effective start-up business all play a role in attracting investors.

Pinheiro-Alves and Zambujal-Oliveira looked at the easiness of commercial factors as an instrument for determining where to invest (2012). For comparative analysis of variant states on the ground of commercial activities, they used 41 variables amassed in 10 distinct categories. Using the Cronbach alpha approach, they discovered that some variables reveal unproductive contributions that involve regeneration and renewal to increase their reliability and consistency.

Olival (2012) examines the differences in attracting FDI using organized variables of commercial convenience. This study's empirical analysis is grounded on 177 states, of which 33 are established and the other 144 are emerging states, from 2004 to 2009. He concluded that the procedures for starting a business, registering assets, overseas commercial activities, shutting down the enterprise, and reimbursing duties all contribute significantly to attracting FDI.

권혁주 (2013) explored the relationship between the convenience of commercial activities and the influx of FDI in 41 Sub-Saharan African nations. Between 2005 and 2011, data were gathered from the Doing Business Index. This study concluded that expenditures on business initiatives and time prerequisites for exports and imports showed an irrelevant influence on FDI. Varyingly, the price of record-keeping assets process exposed a noteworthy optimistic effect on FDI.

Bayraktar (2013) looked at the association between ease of commerce and FDI during and after the disaster, which lasted from 2004 to 2010. This study's data were gathered from the World Bank Business Index. The study also examined the global FDI trend and the relationship between macroeconomic variables and FDI. Upgrades to selected doing business indices increased FDI inflows to developing nations while decreasing FDI inflows to developed countries, according to the study.

The influence of the EDB Index on net inflows of foreign direct investment was studied by Shahadan et al. (2014). They worked on six Asian states for

the period of 2004 to 2013. Except for obtaining credit, property registration, and cross-border trade, the remaining seven EDB Index factors were found to be adversely connected with FDI.

Singh (2015) explored the connection between convenience start-up activities and foreign direct investment in India by derived statistics from the WDI. The independent factors of the study are business startup, obtaining power, recording assets, construction agreement affidavit, paying duties, and enforcing contracts. After using the VAR model for estimation, he came to the result that there is no association among dependent and independent factors in the short run, while there is a long-term association among the variables of the study.

Corcoran and Gillanders (2015) explored the link between FDI and EODB from 2004 to 2009. They used data from the World Bank and the Bureau of Economic Analysis to compile their report. The subcomponent of the calmness of the commercial, comprising beginning commercial activities, building licences, receiving financial assistance, the process of ownership transformation, tax liabilities, protecting investors, and contract enforcement, are used as explanatory variables. The ease of the commercial startup phenomenon revealed a noteworthy influence on foreign investment. Vogiatzoglou (2016) examined the link between the commercial index and overseas investment in Asian states. The variables are taken from the worldwide EDB Index, also from the Heritage Foundation for the period 2003-2013. Business startup, building construction affidavit, recording the ownership of the asset, paying duties on trade, contract enforcement and commercial disputes are the highly linked factors with FDI, according to him.

Kaur (2016) wrote a review paper on the difficulties associated with investing in BRICS states in terms of ease of startup and its subindices from 2015 to 2016. India's comparisons with the BRICS states were demonstrated in this paper, and the evaluation is built on the position and grade of the index report. The process, duration, and expense of conducting enterprises are all high, which has lowered FDI's appeal.

For Ethiopia over the period 2010-2014, E MogesEbero and M Begum (2016) scrutinized the affiliation between liability commerce and foreign direct investment. They used ten commercial factors as independent aspects, and FDI was explained. By using ANOVA, they determined that protecting smaller depositors, submitting duties, and enforcing contracts promoted FDI, while the remaining factors discouraged FDI.

Mahuni and Bonga (2017) discovered the association among commerce

subindices and FDI for Zimbabwe over the period 2009-2016. To check the stationary data, they employed the augmented Ducky fuller technique. In addition, they employed the trend stationary technique to create a new set of variables. They concluded that business components such as contract enforcement, paying taxes, and procuring power have a major negative influence on FDI, whereas dealing with construction licences has a good impact.

Muli and Aduda (2017) looked at the impact of commercial easiness in mediating the link between fiscal assimilation and FDI in the African communal from 2001 to 2015. According to the findings of this study, a more effective commercial atmosphere among the African communal drives high levels of FDI into that region.

In ex-socialist nations, Jovanovic and Jovanovic (2018) studied the link between the easiness of building enterprises and FDI from 2004 to 2011. Study concluded that requiring financial assistance has no unremarkable impression on FDI. Shielding businessmen, paying duties, overseas business, contract enforcement, and commercial solvable disputes had substantial effects on the influx of FDI.

In a study of 44 Sub-Sahara African nations, Nangpiire et al. (2018) looked at the relationship among commercial indices and overseas direct venture influx. According to them, the time, cost, and quantity of procedures affect dealing with licences, beginning of the enterprises, enforcing contracts, and recording information. In developed countries, the ease of DBI has rapidly changed in comparison to developing countries.

The effect of painless enterprise startup on FDI was investigated by Hassan and Basit (2018). Over the period 2011-2015, they chose 177 nations. The explanatory variables used in this study were beginning commercial enterprise, attaining financial assistance, giving duties, recording ownership, and contract enforcement. They concluded that beginning commercial enterprise and applying agreements had a negligible impact on FDI.

Malik and Jyoti (2018) wrote a review article to investigate the association between the affluence of commercial index pointers and FDI. They claimed that to attract foreign investors, governments around the world have implemented reforms such as tax modifications, finance transformations, trade improvements, and lawmaking changes, invoking states' commercial thriving.

3. Methodology

The ease of doing business is a key predictor of FDI influx. The impact of the EDB Index on FDI inflow has been investigated by a number of scholars. The influence of the EDB on FDI could be beneficial, negative, or unclear in nature. With the help of literature, the current study examined the relationship between FDI and the EDB Index. In the economic literature, various empirical models have been developed to determine the primary factors of FDI. According to the studies reviewed above, good business institutional quality is an essential factor in predicting FDI influx.

3.1 Econometric model of the study

In the following regression equation “Eq. (3.1)”, we add all the doing business indicators separately. During estimation, we regress each explanatory variable on FDI separately as well as collectively.

$$FDI_{it} = \beta_0 + \beta_1 SB_{it} + \beta_2 CP_{it} + \beta_3 PT_{it} + \beta_4 TAB_{it} + \beta_5 GC_{it} + \beta_6 PI_{it} + \beta_7 GE_{it} + \beta_8 EC_{it} + \beta_9 RI_{it} + \beta_{10} RP_{it} + X' \theta + V_i + \delta_t + \mu_{it} \tag{3.1}$$

3.2 Final model

This is the dynamic econometric model’s final form.

$$FDI_{it} = \beta_0 + FDI_{it-1} + \beta_1 EDB_{it} + X' \theta + V_i + \delta_t + \mu_{it} \tag{3.2}$$

Where:

$$i=1, 2, 3, \dots, N, t=1, 2, 3, \dots, T$$

V_i represents individual-specific characteristics across countries

δ_t denotes individual specific characteristics over time

FDI_{it} reveals the Ease of Doing Business Index

FDI_{it-1} exhibits the lag of foreign direct investment

$X' \theta$ is the number of interactive terms

Table 1. Description of the variables and their data source

Independent variables			
1	Starting a business	Starting a business involves many activities related to organizing the organization. The process includes generating of an idea for the enterprise (called concept development), researching the idea's potential for success, and writing a business plan. Someone who is starting a new business is called an entrepreneur	World bank doing business index
2	Dealing with construction permits	This variable tracks the procedures, time and cost to build a warehouse including obtaining the necessary licenses and permits, submitting all required notifications, requesting and receiving all necessary inspections and obtaining utility connections.	World bank doing business index
3	Getting electricity	The getting electricity indicators measure the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse.	World bank doing business index
4	Registering property	This variable examines the steps, time, and cost involved in registering a property. In addition, the variable measures the quality of the land administration system in each economy.	World bank doing business index
5	Getting credit	The legal rights of borrowers and lenders with respect to secured transactions. The strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending is observed under the getting credit variable.	World bank doing business index

Table 1. Description of the variables and their data source (continued)

Independent variables			
6	Protecting investor	Corporations are the instruments of entrepreneurship and growth. They can also be abused for personal gain. Doing Business measures the strength of minority shareholder protections against directors' misuse of corporate assets for personal gain.	World bank doing business index
7	Paying taxes	This variable measures the total tax and contribution rate. The time needed to comply with the major taxes (profit taxes, labour taxes) and the number of tax payments.	World bank doing business index
8	Trading across border	The trading across borders indicator set records the time and cost associated with the logistical process of exporting and importing goods every year.	World bank doing business index
9	Enforcing contracts	To enforce means to mandatory compliance with a contract. Parties mutually approve the agreement and sign a contract, are obliged to adhere to the rules contract law, by performing as promised.	World bank doing business index
10	Resolving insolvency	Insolvency is a state of financial distress in which someone is unable to pay their bills. In recovery of debt insolvency, recovery rate is calculated based on time, cost and outcome of insolvency proceeding in each economy.	World bank doing business index
10	FDI	A foreign direct investment (FDI) is an investment in the form of a controlling ownership in a business in one country by an entity based in another country.	WDI
11	GDPPC	GDP per capita is a measure of a country's economic output that accounts for its number of people. It divides the country's gross domestic product by its total population	WDI
12	Population	Whole number of people and inhabitants in the country.	WDI

Table 1. Description of the variables and their data source (continued)

		Independent variables	
13	Inflation	Persistent rise in general price level of all the goods and services in an economy over the period of time.	WDI
14	Interest rate	A real interest rate is an interest rate that has been adjusted to remove the effects of inflation to reflect the real cost of funds to the borrower and the real yield to the lender or to an investor.	WDI

Source: <http://www.doingbusiness.org/> - <http://worldbank.tumblr.com/>,
<https://databank.worldbank.org/source/world-development->

4. Estimation techniques

When OLS is not applicable due to the presence of endogenous independent aspects in the model, another technique, known as the instrumental variable (GMM), is utilized. Several estimation techniques have been used in earlier literature, including two-stage least squares, three-stage least squares and instrumental variable techniques, to tackle the problem of endogeneity among data (Taylor, 1981). Instrumental techniques contain variables that are strictly exogenous, time-invariant, and uncorrelated with effects (Ogaki, 1993). This strategy was utilized to address the issue of endogeneity. This method is based on two assumptions: (i) instruments should be strong, and (ii) endogenous regressors should be correctly correlated, while the error term should be independent (Blundell and Bover 1998).

5. Interpretation of the statistical estimation

Many scholars have examined the EDB Index's impacts on foreign investment. Few studies have found an optimistic correlation between the ease of the startup business and the inflow of FDI, while others have found a negative correlation. The underpinning study gives empirical results and eventually constructs a scenario of the association among the explanatory and regressive factors. The interpretation of the current study's results is in line with the previous literature. Moreover, we will interpret the results of the study in a concise and precise manner.

Table 2. Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Foreign direct investment	644	4.744	10.396	-43.463	198.074
Ease of doing business	374	60.731	11.289	32.94	91.71
Starting a business	573	74.692	17.038	11.55	97.84
Dealing construction permits	507	62.735	15.453	17.33	87.58
Obtaining electricity	371	70.53	15.632	16.61	99.92
Registering property	532	67.878	17.408	0	99.95
Obtaining credit	531	44.461	22.6	5	100
Protecting investor	514	52.315	16.916	10	93.33
Paying taxes	514	71.227	18.401	20.61	100
Trading across borders	504	60.851	24.11	0	96.84
Enforcing contracts	575	54.969	15.519	2.08	93.36
Resolving insolvency	498	39.97	17.939	2.01	96.56
Population	675	1.966	2.315	-9.081	17.511
Gross domestic product	659	8.481	1.389	5.809	11.152
Inflation	533	24.571	2.036	19.83	29.02
Interest	515	5.327	9.8	-20.129	78.917

Outliers in the sample are detected using descriptive analysis. In the table above, the standard deviation shows how far the data for the control and focus variables deviate from their mean or average values or how dispersed the data are. The Ease of Doing Business Index has an arithmetic mean of 60.731 and a standard deviation of 11.289. The EDB's standard deviation value does not indicate much variability in the data. The standard deviation of the interacting regressors does not indicate a high degree of scattering or variability in the data. The explained variable in this study has an average of 4.744 and a dispersion of 10.396, indicating a small fluctuation.

Multicollinearity is a difficulty with data where explanatory variables are interrelated. A large standard error, small t-ratio, larger confidence interval, and high R² are all issues that researchers confront when using this test (Mansfield & Helms, 1982). We are unable to obtain the desired study outcome just because of multicollinearity in the statistics. As a result, it must be detected and removed from the data.

Table 3. Matrix of correlation

Variab les	ED B	SB	DC P	GE	RP	GC	PI	PT	TA B	EC	RI
EDB	1.00 0										
SB	0.48 8	1.00 0									
DCP	0.59 1	0.27 0	1.00 0								
GE	0.67 1	0.08 9	0.34 2	1.00 0							
RP	0.58 1	0.28 4	0.38 3	0.32 4	1.00 0						
GC	0.61 2	0.31 0	0.16 7	0.19 8	0.30 5	1.00 0					
PI	0.66 6	0.29 8	0.25 8	0.23 8	0.27 4	0.56 0	1.00 0				
PT	0.53 7	0.09 9	0.27 3	0.52 7	0.27 7	0.08 4	0.12 6	1.00 0			
TAB	0.65 3	0.00 9	0.47 5	0.62 6	0.17 9	0.26 3	0.32 6	0.41 7	1.00 0		
EC	0.71 1	0.52 6	0.35 2	0.39 0	0.60 4	0.39 0	0.48 0	0.23 4	0.18 0	1.00 0	
RI	0.63 1	0.34 3	0.26 1	0.37 1	0.06 3	0.36 1	0.50 0	0.20 6	0.36 0	0.40 1	1.00 0

The statistics in Table 3 reveal a one-to-one connection that is always equal to one. The association among regressors is represented by the vector off the diagonal figure. As its numerical value (0.488) is smaller than (0.7), there is no nexus between EDB and SB. The figure of the diagonal reveals that the interactive term has a low correlation. Moreover, correlation is a sufficient but not necessary requirement for multicollinearity to exist (Gujarati, 2009).

Table 4. Multicollinearity by variance inflating factor

Variables	VIF
EDB Index	1.79
GDPPC	1.93
POPU	1.37
INF	1.18
INST	1.10
Mean VIF	1.47

When multicollinearity rises, VIF rises as well, indicating that variance is significantly further from the initial figure. VIF equals 1 when the correlation coefficient approaches zero. When the value of VIF is more than ten (10), it is assumed that there is a problem of multicollinearity among the regressors (Gujarati, 2009). Therefore, there is no multicollinearity in Table (4).

Table 5. Breusch–Pagan heteroskedasticity test

Chi-Square	P value
204.99	0.0000

In 1979, this test was introduced by Trever and Adrian Pagan and is often termed the chi-square test of heteroskedasticity. Here, if the probability value is less than 0.05, we reject the null hypothesis of homoscedasticity (Breusch & Pagan, 1979). Because $0.0000 < 0.05$ at the 5% level of significance, the current study's variance is not constant, as seen in the table above. Cross-sectional and time-series difficulties are no longer an issue with panel data (Koenker, 1981).

Table 6. Dynamic GMM results

VARIABLES	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)	Model (7)	Model (8)	Model (9)	Model (10)	Model (11)
	FDI	FDI	FDI	FDI	FDI	FDI	FDI	FDI	FDI	FDI	FDI
L.FDI	0.456*** (0.0138)	0.548*** (0.00611)	0.545*** (0.0112)	0.510*** (0.0147)	0.511*** (0.00766)	0.568*** (0.0126)	0.520*** (0.0205)	0.563*** (0.00829)	0.554*** (0.00534)	0.510*** (0.0153)	0.569*** (0.0167)
Population	0.247*** (0.0198)	0.131*** (0.0324)	0.152*** (0.0252)	0.256*** (0.0525)	0.188*** (0.0273)	0.0925*** (0.0317)	0.0430*** (0.0480)	0.0666*** (0.0516)	0.128*** (0.0338)	0.150*** (0.0280)	0.0134* (0.0676)
Standard error	-0.0564*** (0.00574)	-0.0380*** (0.00536)	-0.0254*** (0.00833)	-0.0626*** (0.00502)	-0.0712*** (0.00478)	-0.0395*** (0.00406)	-0.0493*** (0.00619)	-0.0286*** (0.00724)	-0.0381*** (0.00561)	-0.0338*** (0.00417)	-0.0620*** (0.0107)
Interest rate	-0.284*** (0.0419)	-0.177** (0.0860)	0.00643 (0.105)	-0.148*** (0.0440)	-0.193*** (0.0598)	-0.222*** (0.0345)	-0.426*** (0.0902)	-0.0780 (0.0521)	-0.0516 (0.0680)	-0.356*** (0.0928)	-0.441** (0.172)
Inflation	0.351*** (0.0739)	0.252*** (0.0564)	0.379*** (0.104)	0.0521*** (0.0103)	0.136** (0.0849)	0.125** (0.0520)	0.611*** (0.121)	0.341*** (0.0997)	0.250* (0.139)	0.795*** (0.0537)	0.206** (0.199)
Gross domestic product											
Ease of doing business											
S.E											
Starting a business											
S.E											
Construction permits											
S.E											
Getting electricity											
S.E											
Registering property											
S.E											
Getting credit											
S.E											
Protecting investor											
S.E											
Paying taxes											
S.E											
Trading across border											
S.E											
Enforcing contract											
S.E											
Resolving insolvency											
S.E											
Constant	6.521*** (0.462)	3.048* (1.826)	0.382 (2.284)	4.302*** (1.028)	2.298* (1.250)	5.317*** (0.959)	9.993*** (2.503)	2.365*** (0.891)	2.081* (1.125)	6.929*** (2.046)	0.4219*** (0.1280)
Number of observations	512	512	512	512	512	512	512	512	512	512	512
	44	44	44	44	44	44	44	44	44	44	44

Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

1. ***, **, * represent 1%, 5% and 10% level of significance.

2. Numerical value in parenthesis denote the standard error.

3. Numerical value without parenthesis represent the coefficient value of the ease of doing business sub-indices and FDI.

6. Analysis of the GMM estimation outcomes

Here, the aforementioned table's (6) results are explained step by step. The issue of correlated regressors is addressed using instrumental variables techniques. The variables that are endogenous in nature are replaced with a different instrument, GDPPC is connected by explanatory factors in the econometric equation, namely, the interest rate, population, and persistent rise in general price level. To address the problem of endogeneity, this study employs the previous figures of the real interest rate, inflation, population and GDPPC as proxy factors.

6.1 Impact of the EDB Index on FDI

In Model (1), the EDB Index revealed a strong optimistic consequence on FDI inflow, as shown in Table (6). The Ease of Doing Business Index has a coefficient value of 0.103***, indicating a considerable positive impact on FDI inflow. This substantial figure indicates that FDI inflows increase in the economy when a conducive business environment exists. As a result, to stimulate FDI inflows, the country must implement business reforms. This outcome is in line with the theories of (Mahuni & Bonga, 2017; Shahadan et al., 2014; Singh, 2015). FDI inflows into Asian countries climbed by 3.9 percent to US\$512 billion in 2018, according to UNCTAD's 2018 World Investment Report.

6.2 Impact of the EDB Index on FDI

The regression outcome of initiating the business has revealed the substantial impact on FDI in all Asian states. The current era of business initiation has exposed great importance as its statistics (0.0160***). This outcome is aligned with the studies by (Nangpiire, Rodrigues, & Adam, 2018; Piwonski, 2010), (Mahuni & Bonga, 2017) and (Shahadan et al., 2014). In Asian states, the most common area of doing business is to build commercial enterprises. This effective outcome is only due to the various commercial reforms that encourage the interest of foreign investors.

6.3 Impact of construction permits on FDI

The effect of obtaining construction permits on FDI is shown in Model (3). As its coefficient value is 0.0250***, this region of conducting business has revealed a considerable favourable significance for FDI in Asian countries. The results showed that the probability figure of building licences was larger

than the tabulated value of 0.05, so we accept the alternative hypothesis. The outcomes of this segment of the business resemble the studies by (Asongu, 2019), (Lawless, 2013), and (Mahuni & Bonga, 2017). Part of the work evaluates the method, time and expense of working through the construction-related paperwork as well as standards of quality and safety.

6.4 Impact of obtaining electricity on FDI

At the 1% level of connotation, the estimation outcome receiving energy validated in Model (4) has proven crucial momentous repercussions for FDI influx. The coefficient value of obtaining electricity is 0.0186***, indicating that adequate electrical facilities greatly attract FDI. In Asian countries, FDI is positively correlated with launching a firm and obtaining construction licences, as indicated in the table above. The result of this component of the commercial index is in line with the study (Singh, 2015). Asian countries digitize the entire procedure and offer a lower rate for first-hand energy connections. In several Asian kingdoms, such as Pakistan, one-stop shops in which customers may get all of their needs met in one location have been built (Business, 2019). As a result, Asian countries receive a large share of global FDI inflow.

6.5 Impact of registering property on FDI

The regression findings of registering property in Model (5) reveal a strong decisive impact on FDI in Asian nations. The registering property's coefficient value is 0.0592***, which is larger than 0.01 at the 1% degree of importance, indicating that the null hypothesis is prohibited. This theme of doing business is used to assess the nature of land administration. The land administration index includes infrastructural reliability, media transparency, geographical assessment and an equal rights strategy (Business, 2019). The conclusions of this Doing Business Index component are related to the works of (Jovanovic & Jovanovic, 2018), (Morris & Aziz, 2011), and (Singh, 2015), which particularly investigate the aspect of commercial business catalogues and have established optimistic associations with FDI.

6.6 Impact of obtaining credit on FDI

Obtaining credit has proven to be a strong optimistic prospective strength for FDI attraction in ASIAN states in Model (6). At the 1% significance level, the regression of the elasticity measuring factor of obtaining financial assistance is 0.0241***, which is larger than 0.01 and is strongly correlated

with FDI arrival. The estimation outcome of attaining financial support is more compatible with the earlier study by (Vogiatzoglou, 2016), in which he concluded that privileges of the creditor and debtor with respect to protected transactions and further financial knowledge impact external stakeholders' judgement to capitalize. According to the study by (Muûls, 2015), effectual financial support and lower credit limits encouraged businesses to export and import.

6.7 Impact of shielding smaller investors on FDI

Protecting smaller stockholders is another element of business indices that revealed a beneficial influence on FDI inflow under Model (7). In this condition, the null hypothesis is rejected, as shown by the coefficient figure of this component, which is (0.0355***), and this figure is greater than the probability figure at the 1% significance level. The outcomes of this element of commercial indices resemble the earlier literature work by (Jovanovic & Jovanovic, 2018), (Piwonski, 2010), and (Hassan & Basit, 2018b), which revealed that protecting the rights of investors is the major reason for attaining higher FDI influx. A study by (Claessens, Ueda, & Yafeh, 2014) effectively explains investor's interest and how they analyse the expense of financing, especially for growing enterprises. There is a link between investor protection and greater FDI in Asian states.

6.8 Impact of paying taxes on FDI inflow

Table 6 shows the estimation outcomes of paying duties that reveal an undesirable relationship to FDI. According to the statistics (-0.0210), paying duties has an adverse influence on FDI influx. The consequences of this element are linked by the research work (Hassan & Basit, 2018a), (Muûls, 2015), and (Djankov et al., 2004), who investigated whether FDI is undesirably affected by repaying duties to the government. The current part of commercial enterprises calculates the paying duties by smaller firms as well as other tax burdens borne by the government and the employer. This part of the EDB includes capital gain payable duties, taxes on ownership transfer, expenses on financial transactions, automobile and building taxes, other fees, and small surcharges (Devereux & Freeman, 1995).

6.9 Impact of trading across borders on FDI

At the 10% significance level, the results in Model (9) imply that overseas

trade has a considerably diverse influence on FDI influx. The prerequisite of excessive time duration and expenditure on trading goods suppressing the FDI influx to Asian states is represented by the statistics of oversee trade, which is (-0.0125). These results are similar to the investigation by (Jovanovic & Jovanovic, 2018), (Nangpiire et al., 2018) and (Mahuni & Bonga, 2017) as well as (Hassan & Basit, 2018b). The documentary process/agreement, tariff and nontariff duties are involved in the entire process of overseas trade. Furthermore, expenditure on paperwork and excessive time is also a matter of great importance, which also displays the ease of business startup. According to the latest report, Uzbekistan and Pakistan improved commercial activity by enhancing cross-border trade⁴.

6.10 Impact of enforcing contracts on FDI

At the 1% rate of alpha, the result shown in Model (10) demonstrates that enforcing contracts revealed a considerable optimistic impact on FDI influx. Enforcing a contract, which is one of the ten elements of the Doing Business Index, has a coefficient value of 0.0650***, which shows that efficient governance institutions, particularly those that include judiciary aspects, expedite the arrival of FDI. The conclusion of contract enforcement is supported by other studies (Jovanovic & Jovanovic, 2018), (Singh, 2015), (Piwonski, 2010), (Corcoran & Gillanders, 2015), and (Vogiatzoglou, 2016), according to which FDI is stimulated by appropriate law and the order condition of the respective states. Ease of business reveals the effectiveness of the law and order condition that provides appropriate plans to explore further judiciary reforms for the purpose of settling commercial disputes (Ahlquist & Prakash, 2010).

6.12 Impact of rectifying indebtedness on FDI arrival

The consequence of resolving liabilities exposed a statistically substantial optimistic effect on FDI influx into Asian countries. At the 1% significance level, this section of business indices has shown a considerable helpful effect on FDI. The findings of this study are consistent with the findings of the (Jovanovic & Jovanovic, 2018) study. The first type of insolvency is cash-flow insolvency, while the second type is balance-sheet insolvency. Insolvency is a problem that arises when a corporation's or a business owner's

⁴ <http://www.doingbusiness.org>.

liabilities exceed the firm's assets (Bayraktar, 2015).

6.13 Interpretation of the GMM results of interactive terms

The second interacting term, population, has a substantial influence on FDI inflow. At the 1% significance level, the population coefficient values presented in models (1, 2, 3, 4, 5, 6, 9, and 10) revealed a momentous positive influence on FDI influx. The estimated figure of the population exposed a reasonably substantial impression on the influx of FDI at the 5% and 10% significance levels. This stunning finding is in line with the research by Aziz & Makkawi (2012), who revealed that a higher population encourages FDI inflow. Recent studies on FDI determinants show that emerging nations should work hard to attract far-off stockholders by refining macroeconomic indicators such as GDPPC, lowering inflation, and implementing sound monetary and fiscal policies (Aziz & Makkawi, 2012).

The next interactive phrase is the real interest rate. The above table shows that the regression consequence of the interest rate from Model 1 to 11 showed a statistically highly significant negative effect on FDI inflows to Asian nations at the 1% level of significance. These considerable undesirable effects on FDI resemble the research work by (Cavallari & d'Addona, 2013), in which they found that the interest rate, whether nominal or real, induces a probability of risk, which deters FDI inflow into targeted nations. This has demonstrated that one of the most important determinants of FDI in Asian countries is a low interest rate. The idea that a lower interest rate in domestic states delivers a budget improvement for overseas investors is used to attract FDI (Culem, 1988).

At the 1% level of significance, the consequence of the persistent rise in the general price level mentioned in models (1, 4, 5, 6, 7, and 10) showed a significant adverse impact on FDI influx in Asian nations. At the 5% significance level, the inflation consequences in models (2, 11) showed a substantial shock on FDI invasion, but the results in the remaining models showed a detrimental influence on FDI. The argument (Li & Liu, 2005; Omankhanlen, 2011; Singhanian & Gupta, 2011) that shows that inflation rate instability has an undesirable impression on FDI inflows encourages inflation. Inflation rates in Asian countries reflect financial stability, internal pressures, and the ability of the bank and the government to balance the economy's financial plan. Inflationary pressures in the target countries would reduce the value of investment businesses' returns in local currency (Buckley, Devinney,

& Louviere, 2007).

The final interactive explanatory factor is the per capita growth rate (GDP), which is one of the major driving forces for attracting FDI to Asian republics. At the 1% significance level, the results in models (1, 2, 3, 4, 7, 8, and 10) displayed a favourable effect on FDI influx. Similarly, at the 5% significance level, the estimated consequence of GDPPC reported in models (5, 6, 9, and 11) has revealed a fairly substantial constructive impact on FDI influx. These findings are corroborated by a study (Boateng, Hua, Nisar, & Wu, 2015; Hakizimana, 2015) that claims that GDPPC is a potential force to attract FDI. GDPPC has a large theoretical impact on FDI influx since it reflects the consumer's high pay and purchasing power (BénassyQuéré, Coupet, & Mayer, 2007).

7. Conclusion

Following a detailed analysis of the data, the conclusion is that 46 Asian economies out of one hundred ninety countries listed on the World Bank Doing Business Index are efficient in attracting a large quantity of FDI through business sector institutional reforms. Asian nations have made doing business easier and have a large local market structure, large population, affordable raw materials, and large amounts of natural resources, all of which contribute to attracting the majority of FDI influx. However, apart from the ease of doing business and its factors, the majority of investors pay close attention to the other variables in host countries, including domestic market competition, institutional firmness, the scale of the expanding commercial sector, financial stability and judiciary aspects (Business, 2009).

8. Policy Recommendation

- As per the outcome of Models (1, 2, 3, 4, 5, 6 and 7), Asian governments should focus on business reform in the areas of ease of doing business, obtaining credit, obtaining construction permits, starting enterprises, obtaining energy, registering property, and protecting investors.
- In accordance with Models 10 and 11, contract enforcement and insolvency reclamation boost FDI. As a result of the study, the government should establish a specialist commercial court to resolve all company issues.
- According to the results of Models 8 and 9, the administrations of Asian states should digitize all business-related operations and emphasize

lowering the expenditures connected with cross-border commerce.

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Appendix

Here is the list of 45 Asian countries listed on the World Bank Doing Business Index. <https://doi.org/10.1515/revecp-2018-0001>.

On the basis of the business regulatory environment, this study compared developed and developing countries. As per the World Bank's country classification, low-income countries are those with a per capita GNI of \$1025.

Asian states					
Afghanistan	China	Japan	Maldives	Russia	Turkey
Armenia	Cyprus	Jordan	Magnolia	Saudi Arabia	United Arab Emirates
Azerbaijan	Georgia	Kazakhstan	Myanmar	Singapore	Uzbekistan
Bahrain	India	Kuwait	Nepal	Sri Lanka	Vietnam
Bangladesh	Indonesia	Kyrgyzstan	Oman	Syria	Yemen
Bhutan	Iran	Lao PDR	Pakistan	Tajikistan	
Brunei	Iraq	Lebanon	Philippines	Thailand	
Cambodia	Israel	Malaysia	Qatar	Timor-Leste	

The lowest middle-income countries are those with GNI per capita of approximately \$1026 and \$3995, whereas the highest middle-income countries have GNI per capita between \$3996 and \$12375. The GNI per capita of high-income economies is \$12376 or above. These categorizations of the countries on the basis of GNI per capita are made by the World Bank (Bank, 2017). The World Bank updated these countries' classifications each year on 1st July [<http://blogs.worldbank.org/-2019-2020>].

Developed countries

Twenty-Six Developed Asian Countries

Armenia	Cyprus	Jordan	Malaysia	Sri Lanka	UAE
Azerbaijan	Georgia	Japan	Maldives	Saudi Arabia	
Brunei Darussalam	Iran	Kuwait	Oman	Singapore	
Bahrain	Iraq	Kazakhstan	Qatar	Thailand	
China	Israel	Lebanon	Russian Federation	Turkey	

<http://blogs.worldbank.org/-2019-2020>

Developing countries

List of 17 developing countries

Afghanistan	Nepal	Philippines	Vietnam
Bangladesh	Kyrgyz republic	Syrian Arab rep	Yemen
Bhutan	LAO PDR	Timor-Leste	
Cambodia	Myanmar	Tajikistan	
India	Pakistan	Uzbekistan	

<http://blogs.worldbank.org/-2019-2020>