

Review Form 3

Journal Name:	South Asian Journal of Social Studies and Economics
Manuscript Number:	Ms_SAJSSSE_130639
Title of the Manuscript:	IMPACT OF FOREIGN DIRECT INVESTMENT, EXPORT, IMPORT AND INFLATION ON ECONOMICS GROWTH IN INDIA: AN EMPIRICAL ANALYSIS
Type of the Article	

PART 1: Comments

	Reviewer's comment	Author's Feedback (Please correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)
Please write a few sentences regarding the importance of this manuscript for the scientific community. A minimum of 3-4 sentences may be required for this part.	This manuscript is significant for the scientific community as it provides a nuanced understanding of the relationship between FDI, trade, inflation, and economic growth in India, a key emerging economy.	
Is the title of the article suitable? (If not please suggest an alternative title)	The title of the article is not explicitly provided in the text, but based on the content, it seems to focus on examining the impact of foreign direct investment (FDI), exports, imports, and inflation on economic growth using an ARDL model, with India as the case study. If the current title does not fully capture these elements, here is a suggested alternative: "THE IMPACT OF FDI, TRADE, AND INFLATION ON ECONOMIC GROWTH IN INDIA: EVIDENCE FROM AN ARDL APPROACH (1991–2020)" This title is more specific, highlights the key variables studied, and provides context with the country and methodology.	

Review Form 3

Is the abstract of the article comprehensive? Do you suggest the addition (or deletion) of some points in this section? Please write your suggestions here.	The abstract is not comprehensive and hence , below are suggestions for improvement Suggestions for Improvement: 1. Expand the Context: Provide a brief explanation of why the relationship between FDI, trade variables, and economic growth in India is important. For instance, mention India's economic growth trajectory or reliance on these variables. 2. Clarify the Objective: Explicitly state the research objective rather than implying it through the methodology. For example, you could say, <i>"This study investigates the impact of FDI, trade components, and inflation on India's economic growth."</i> 3. Strengthen Methodology Description: Instead of focusing on just the techniques (ARDL, ECM), briefly explain why these methods are appropriate for the study (e.g., suitability for small sample sizes or co-integration analysis). 4. Detail Key Findings: The findings could be presented with more precision. Instead of saying effects are "insignificant," specify the implications of these results, such as policy inaction or underlying structural issues. 5. Conclusion/Implications: Provide more depth in the conclusion to highlight actionable insights for policymakers. For example, elaborate on <i>what kind</i> of favorable government policies could drive growth. 6. Keywords: Consider adding more focused keywords to enhance searchability, such as "economic growth in India," "trade and growth nexus," or "policy implications."	
Is the manuscript scientifically, correct? Please write here.	The manuscript provides a well-structured empirical analysis of the impact of Foreign Direct Investment (FDI), exports, imports, inflation, and economic growth in India. While the overall scientific approach is sound, there are several points for improvement in terms of scientific rigor, clarity, and accuracy. a. Abstract should be improved as already suggested b. Improve the introduction c. Improve the literature review by capturing clarifying concepts first, providing theoretical reviews followed by empirical review which ends with the research gap d. The description of the econometric model (Equation 1 and 3) is clear but could use some clarification. For example, in Equation 1, the independent variables (FDI, EXP, IMP, INF) are all presented without a clear theoretical justification for their inclusion in the model. You might consider briefly explaining why these variables are included in the model, perhaps referencing previous studies that highlight their importance in the FDI-growth nexus. In the ARDL model, you mention that it "permits variables to have different lag lengths within the model specification." This point could be clarified further by explaining how the lag lengths were selected in this study (e.g., using an information criterion like AIC or BIC). The methodology might be restructured to look like this" METHODOLOGY Theoretical Framework: Elasticity Approach to Balance of Payments This study used the Elasticity Approach to Balance of Payment as its theoretical framework which is adopted from the study of Jungho, Won and Kranti (2009) on exchange rate dynamics and the bilateral trade balance in United State of America. The elasticity approach is based on the assumption that changes in exchange rate regulate the balance of payment through the elasticity of demand and supply of export. The elasticity approach is based on conditions that are expressed mathematically as follow: $ex + em > 1$.....i Where <i>ex</i> is the demand elasticity of exports and <i>em</i> is the demand elasticity for imports On the contrary, if the sum of price elasticity of demand for exports and imports, in	

	absolute terms, is less than unity, $ex + em < 1$.....ii Devaluation will worsen the BOP. If the sum of these elasticities in absolute terms is equal to unity, $ex + em = 1$..... .iii Precisely, consider a situation where by domestic export contracts are denominated in domestic currency and domestic import contracts denominated in foreign currency, devaluation of domestic currency will increase the exchange rate expressed as domestic currency against foreign currency and immediately deteriorates the trade balance in the currency-contract period before any price and volume changes. If both domestic and foreign demand for imports is inelastic in the short run, import price measured in domestic currency will increase as a result of devaluation but there will be no change in the demand which will lead to an increase in imports value Model Specification In order to ascertain if Exchange Rate Fluctuation impacts significantly on Export in Nigeria, the study adopted a model from the study of Oloyede and Essi (2017) on the effect of exchange rate on imports and exports in Nigeria. The model revealed that export and import are functions of exchange rate. After adopting the model, some control variables were introduced such as inflation rate, foreign direct investment, financial developments which according to empirical studies have significant impact on export and import as shown below in the following pairs of equations $EXPT=f(EXCR, INFR, FDI, FDP)$.....(3.1) Where: EXPT= Export EXCR=Exchange Rate INFR=Inflation Rate FDI= Foreign Direct Investment FDP= Financial Development (Measured byCredit to Private Sector) The above models were equally expressed in econometric form as follows:	
--	---	--

$$EXPT_t = \theta_0 + \theta_1 EXCR_t + \theta_2 INFR_t + \theta_3 FDI_t + \theta_4 FDP_t + \varepsilon_t \dots \dots \dots (3.3)$$

Where: ε_t = is the Error term, and t= time trend $\theta_0 - \theta_4$ and $\lambda_0 - \lambda_4$ = parameters to be estimated, others as in equation 3.1 and 3.2

Table 3.1 On Summary of variables for objective two

Variables	Measurement	Expected Sign
Dependent Variable		
Export	NBillion	
Independent Variable		
Exchange Rate	Par USD	Positive
Inflation Rate	Percentage	Negative
Foreign Direct Investment	Percentage of GDP	Positive
Financial Development (Measured by Credit to Private Sector)	Percentage of GDP	Positive

Source: Author's computation, 2021

Measurement and Justification of Variables

Dependent Variable

1. Export: This is the monetary value of goods and services produced and exported to other countries which is expressed in billions of naira. Data was sourced from Central Bank of Nigeria Statistical Bulletin (2022)

Independent Variables

- i. Exchange Rate: Exchange rate is the rate at which a currency is exchanged for another currency and it is expressed in percentage. Studies by Anoke, Codo, and Ogbonna (2017), Oloyede and Essi (2017) have shown that the balance of payments position of a country depends on the level of exchange rate. Data was sourced from World Bank Development Indicators (2022)
- ii. Inflation Rate: Inflation is measured by comparing the price in two different periods, on a fixed basket of goods and services and it is expressed in percentage. A country with high level of inflation may likely experience challenges in export but a fall in inflation will encourage a country to increase her level of import (Anthony, Peter and Richard, 2012). Data was sourced from World Bank Development Indicators (2022)
- iii. Foreign Direct Investment: Foreign direct investments are the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. Data was obtained from World Development Indicator (2022)
- iv. Financial Development: Financial development measured the strength of the financial market

	toward the development of the economy. Mehdi, Arezoo and Alireza (2014) has pointed out that that Financial Development has positive effect on export and economic growth. Technique of Data Analysis Unit Root Test Gujarati and Porter (2009) pointed out that care should be taken when regressing non stationary variable on another because it will generate spurious result. In order to avoid this kind of scenario, this study will conduct stationarity test by using both the Augmented Dickey Fuller and Phillips Perron unit root test method in order to discover if the variables used for the analysis of objective one are integrated of order one I (1) or at levels I(0). ADRL Bounds test to Cointegration Pesaran and Shin (2001) have shown that the ARDL Bounds test to cointegration has the capacity to determine long run cointegration on variables that are purely I(1) or even variables that have a combination of I(1) and I(0). This study shall apply ADRL Bounds test to Cointegration approach if the variables used for the analysis are all I(1) or a mixture of I(1) and I(0). Autoregressive Distribution lag (ARDL) Model. One of the advantage of the ARDL Model estimation technique over others is that it has the capacity to estimate both the short-run and long coefficients on variables that are purely I(1) or even variables that have the combination of I(1) and I(0) (Pesaran and Shin, 2001). This study shall apply the ARDL approach if the variables used for the analysis are all I(1) or a mixture of I(1) and I(0). The equation below represent the model specification for objective one in ARDL Model form. $\Delta \text{EXPT}_t = \lambda_0 + \sum_{i=1}^n \lambda_{1i} \Delta \text{EXPT}_{t-i} + \sum_{i=1}^n \lambda_{2i} \Delta \text{EXCR}_{t-i} + \sum_{i=0}^n \lambda_{3i} \Delta \text{INFR}_{t-i} + \sum_{i=0}^n \lambda_{4i} \Delta \text{FDI}_{t-i} + \theta_1 + \theta_2 + \theta_3 + \theta_4 + \theta_5 + \epsilon_t$ Where: λ_1-λ_5= Short-Run Coefficients, θ_1-θ_5=Long-Run Coefficients, Δ=Difference, others are error terms. equation 3.2 and 3.4 e. Under the results and discussions, the tables are generally well-presented. However, you should include p-values and statistical significance levels where appropriate. For example, in the unit root test results (Table 3), you mention t-statistics but do not explicitly reference the significance of these results. The discussion of results should capture areas of similarity or consistency or difference in findings of this study and other studies. f. The conclusion could be more closely tied to the statistical findings and provide more concrete policy recommendations based on the results. Overall, the manuscript is scientifically valid, but it would benefit from clearer explanations of	
--	---	--

Review Form 3

	methodology, more detailed interpretation of results, and stronger connections between the findings and existing literature. The statistical techniques used are appropriate, but the manuscript should ensure that all claims are backed by solid statistical evidence.	
Are the references sufficient and recent? If you have suggestions of additional references, please mention them in the review form.	the references are insufficient and old. You should consider using recent studies written between (2020–2025)	
Is the language/English quality of the article suitable for scholarly communications?	Yes but can be improved	
Optional/General comments		

PART 2:

	Reviewer's comment	Author's comment (if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)
Are there ethical issues in this manuscript?	(If yes, Kindly please write down the ethical issues here in details)	

Reviewer Details:

Name:	Alfred Bognet Cyprain
Department, University & Country	Kaduna State University, Nigeria