

Accepted Manuscript

Title: Foreign Direct Investment and Business Start-up in Developing Countries: The Role of Financial Market Development

Author: Jonathan Munemo

PII: S1062-9769(16)30085-0
DOI: <http://dx.doi.org/doi:10.1016/j.qref.2016.08.010>
Reference: QUAECO 976

To appear in: *The Quarterly Review of Economics and Finance*

Received date: 2-2-2016
Revised date: 22-7-2016
Accepted date: 24-8-2016

Please cite this article as: & Munemo, Jonathan., Foreign Direct Investment and Business Start-up in Developing Countries: The Role of Financial Market Development. *Quarterly Review of Economics and Finance* <http://dx.doi.org/10.1016/j.qref.2016.08.010>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



Foreign Direct Investment and Business Start-up in Developing Countries: The Role of Financial Market Development

July 2016

Jonathan Munemo
Associate Professor and Director of Global Programs
Perdue School of Business, Salisbury University
Salisbury, MD 21801
jxmunemo@salisbury.edu

Highlights

- Financial markets are an important channel through which FDI influences entrepreneurship.
- There is a threshold level of financial market development above which FDI crowds-in entrepreneurship.
- Reforms aimed at raising the quality of financial development above threshold level will benefit many developing countries.
- Paper contributes to related literature on FDI, Financial Development and Entrepreneurship.

Abstract

This paper investigates whether financial market development has an impact on the relationship between foreign direct investment (FDI) and business start-up, which is a salient feature of entrepreneurship. In a panel of 92 developing countries, the paper finds that the ability of FDI to crowd-in business start-ups significantly depends on financial market development in the host economy. Based on the results, there is a threshold level of financial market development above which FDI crowds-in new businesses. Improving financial conditions in developing countries where they are unfavorable is therefore an important precondition for facilitating the positive externalities from FDI inflows which stimulate entrepreneurship. The results also support the policy propositions that a good regulatory environment and higher growth in income per capita are important for enhancing entrepreneurship.

Keywords: foreign direct investment, financial development, entrepreneurship, crowding-out
JEL codes: F23; L26; O16

Download English Version:

<https://daneshyari.com/en/article/5103549>

Download Persian Version:

<https://daneshyari.com/article/5103549>

[Daneshyari.com](https://daneshyari.com)