



The Role of Absorptive Capacity in the Relationship Fdi and Economic Growth: A Case Study of Binh Dinh Province, Viet Nam

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Abstract

Absorptive capacity of host countries towards foreign direct investment (FDI) has received a lot of attention from researchers around the world. However, research on this issue is still limited in Vietnam. Based on the theory of FDI absorptive capacity, this paper approaches the regression analysis method by using Autoregressive Distributed Lag model (ARDL) of Pesaran et al., 2001 to investigate and point out factors that play a role like FDI absorptive factors with economic growth in Binh Dinh province, Vietnam. The research results shown that among the FDI absorptive factors, the impact of FDI on economic growth in Binh Dinh province depends on human capital and local infrastructure. Thereby, this paper gives some recommendations for management agencies. Besides to focusing on FDI attraction, local authorities should pay attention to improve FDI absorptive capacity to promote the role of this capital source for economic growth.

Keywords: FDI, absorptive Capacity, economic growth, Binh Dinh – Viet Nam