Empirical Economics Letters, 24 (8): pp. 1-7, (August 2025) ***ISSN 1681 8997***
https://doi.org/10.5281/zenodo.17165548

Threshold Effect of Intelligence in the FDI-Growth Nexus

Nurshila Ahmad
Faculty of International Finance, Labuan Campus
University Malaysia Sabah

Muhammad Daaniyall Abd Rahman, W.N.W. Azman-Saini[1], Yasmin Bani and Anitha Rosland
School of Business and Economics, University Putra Malaysia

Abstract: This paper examines whether there is a threshold effect of intelligence in the relationship between FDI and economic growth. It proposes that only countries with a sufficiently high level of intelligence can gain from FDI inflows. To test this, the study uses data from 85 countries covering the period 1976–2018. A threshold regression model is applied to capture the non-linear impact of FDI on growth. The results show that FDI contributes positively to growth only after a country reaches a certain level of intelligence. Below this threshold, FDI has no significant effect on growth.

Keywords: Foreign direct investment; Economic growth; Intelligence; Absorptive Capacity; Threshold regression

JEL Classification Number: F21; J24; O15; O47

[1] Corresponding Author: School of Business and Economics, Universiti Putra Malaysia 43400 Selangor, Malaysia. Tel: +603 89467628, Email: wazman@upm.edu.my