

# The moderating effect of ESG on the relationship between foreign direct investment and economic growth

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## **Abstract**

This study examines the moderating effect of environmental, social, and governance (ESG) on the relationship between foreign direct investment (FDI) and economic growth. Given the recent attention to ESG in global markets, it is worthy studying the linkage between ESG and FDI as an entry mode from a marketing perspective. A fixed-effects model is applied to the panel data, which covers 49 countries between the years 2003 and 2016. The baseline results reveal that the interaction term containing environmental performance is statistically significant and negatively associated with the effect of FDI on economic growth. For low-middle income countries, environmental and social performance interacting with FDI have greater and more statistically significant effects on economic growth compared to high income countries. Counterintuitively, the results suggest that ESG factors and sustainable investing may not be the panacea for developing countries to improve their economic growth.

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