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Macroeconomic Stability, Foreign Direct Investment, and Entrepreneurship Ecosystems: Evidence for Sustainable Enterprise Development in RIC Economies

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Abstract
Sustaining inclusive economic development in developing countries involves stable macroeconomic environments capable of attracting long term foreign investment and supporting entrepreneurship driven growth. In addition, capital inflow, foreign direct investment contributes to the development of entrepreneurship ecosystems through technological knowledge transfer, innovation diffusion, management expertise and enhanced opportunities for small and medium enterprises (SME's) and sustainable businesses enterprises. This study examines the determinants of Foreign Direct Investment (FDI) inflows in Russia, India, and China (RIC) using annual panel data covering the period from 2001 to 2024. The Pooled Mean Group Autoregressive Distributed Lag (PMG-ARDL) approach to estimate both short-term dynamics and long-term equilibrium among the selected countries. Panel unit root test is applied to determine the order of integration of the variables and assess the suitability of the PMG-ARDL framework. The results indicate the long-term relationship exists between FDI inflows and macroeconomic variables. In particular, market size emerges as a significant determinant of FDI, highlighting the importance of sustained economic growth and growing market opportunities in attracting foreign investment. The findings highlight the importance of sustained economic growth along with increasing domestic markets for attracting foreign direct investment inflows. On the other hand, higher real interest rates, inflation and exchange rate appreciation adversely influence FDI through increasing economic uncertainty and decreasing host economy competitiveness. The estimated error correction term indicates a relatively fast adjustment towards long-run equilibrium which also validates the existence of a stable relationship between all of the selected variables. Stable macroeconomic conditions are also considered to provide support for innovation-based entrepreneurship as well as assisting in the growth of SMEs and encouragement sustainable enterprise development within an economy. This study contributes to the entrepreneurship and sustainability literature by indicating that sustaining inclusive economic development in emerging economies depends on stable macroeconomic environments that attract long-term foreign investment and support entrepreneurship-led growth. FDI extends beyond capital inflows by strengthening entrepreneurship ecosystems through knowledge transfer, innovation diffusion, managerial capabilities, and improved growth opportunities for SMEs and sustainable business enterprises.

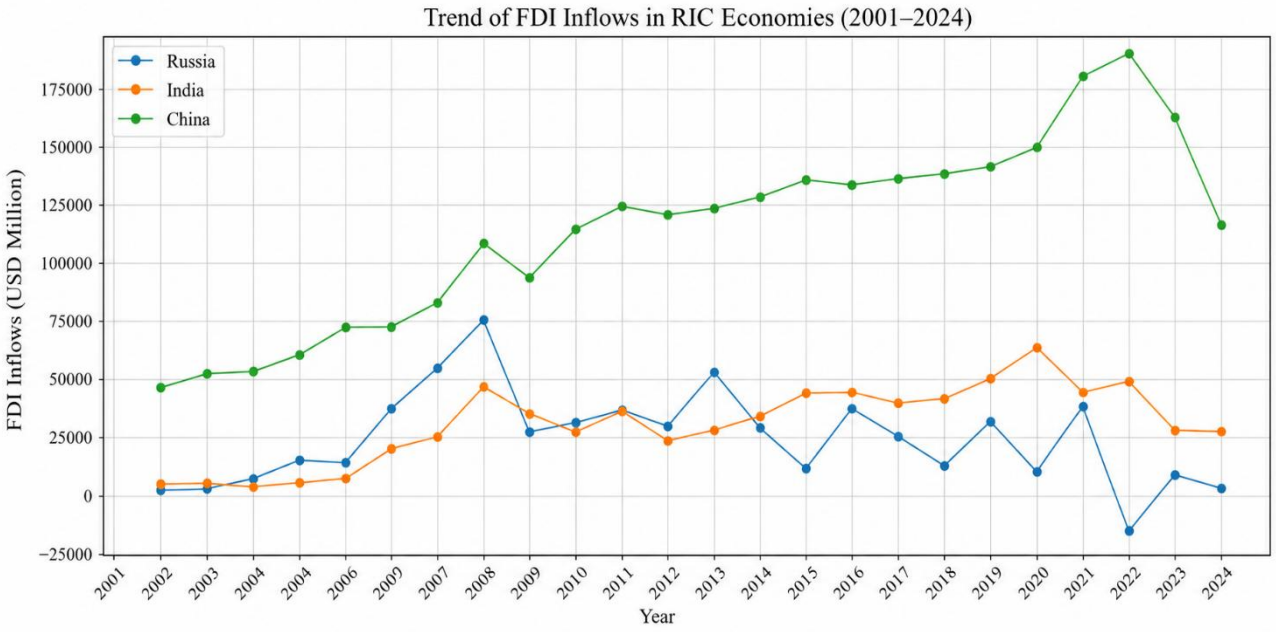
Keywords: *Foreign Direct Investment (FDI). Macroeconomic Stability. Entrepreneurship Ecosystems. Sustainable Entrepreneurship. SME Development. RIC Economies*
JEL Classification*: F21, O11, L26, Q56, O53*

1. Introduction

Foreign Direct Investment (FDI) is one of the most important factors for economic growth and structural change in developing countries by providing additional resources through foreign capital flows. In addition to enabling an increase in productivity due to technology transfer, management know-how, development of human capital and increased access to global markets, it can also be considered a more stable or long-term form of investment than many other traditional types of external financial investment, such as commercial loans. Therefore, it is an effective way to increase competition, encourage job creation and support long-term economic development. Thus, FDI is a critical mean to increasing nations' competitiveness, providing jobs, and fostering economic growth over the longer run. Nevertheless, with recent changes in the world trade and investment landscape, there are a range of challenges associated with attracting and retaining foreign direct investment into developing nations. According to the United Nations Conference on Trade and Development (UNCTAD), global investment levels have been negatively impacted by slow economic growth, rising geopolitical tensions; increasing trade fragmentation, and continued disruption of global supply chain networks. Such developments create increased uncertainty regarding international investment decisions and increased competition

among countries competing for foreign capital. These developments have also created a growing level of importance associated with macroeconomic stability relative to receiving long-term sustainable capital through FDI. Therefore, developing nations must create and maintain favourable economic conditions to receive long-term sustainable inflows of FDI. By promoting macroeconomic stability, the risks associated with investment by foreign direct investors are reduced; investor confidence is enhanced; and developing countries are perceived to be an attractive host country for FDI. In addition, recent literature has identified FDI as a significant contributor to entrepreneurship development, innovation diffusion and sustainable business growth, roles beyond those traditionally associated with FDI as a source of capital inflows. Based on the Knowledge Spillover Theory of Entrepreneurship (Audretsch & Keilbach, 2007), there is evidence that entrepreneurial opportunities arise from both innovation and knowledge diffusion. FDI helps to deliver technology, managerial skills and international connections to an economy through the promotion of entrepreneurship. By these mechanisms, FDI plays a critical role in creating new businesses, growing SMEs, fostering start-up ecosystems and supporting innovation-led entrepreneurship; and this is especially important in growing economies in Asia, where the development of entrepreneurial activity has become more central to economic policy. Many Asian nations are slowly changing their economies' rules to emphasize innovation, greening and sustainable growth for businesses through the promotion of green entrepreneurship and inclusive business development. Economic stability creates less unpredictability in the economy; and helps with the efficient allocation of resources and helps create conditions conducive to entrepreneurship and the growth of SMEs. As such, understanding how to create FDI money flow goes beyond simply identifying those determinants of the emotions that are driving international investment; it also provides insight into how we can create entrepreneurial success and generate sustainable economic outcomes. Based on the previous studies available on the topic, there are many factors that influence how much money flows into a country as FDI, including, for example economic growth, trade openness, infrastructure, real interest rate, inflation, exchange rate, quality of institutions, and political stability. While these individual factors have been explored across many different nations and areas, results vary and provide an inconsistent account of the influence that factors such as inflation, interest rates, exchange rates and infrastructure have on the amount of foreign direct investment which comes into each country. Prior studies have tended to examine traditional macroeconomic determinants of FDI while not focusing on the impact of entrepreneurship ecosystems, SMEs, or sustainable enterprise outcomes as much as possible. The RIC economies present a valid context for exploring these correlations because they are all large emerging economies with large markets, large populations, increasing amounts of investment flowing in, growing entrepreneurial activity and continuing structural changes in their economies. In addition, there are significant differences in terms of macroeconomic conditions and institutional frameworks between the three RIC economies creating an ideal situation for investigating both the similarities and differences among common as well as country based determining factors for FDI. The outcome of this analysis will assist in improving our knowledge about how macroeconomic conditions affect not only investing decisions but developing entrepreneurship and sustainable business growth within Emerging Market Economies.

Figure 1 shows the differences in the way FDI enters the RIC economies. China has consistently been the major destination for FDI over the entire period, showing steady growth from the early 2000s through a high in about 2018, followed by a modest decline after 2021. In India, there is a steady long-run increase in FDI since 2001, with this trend becoming very pronounced after around mid-2005, a peak FDI inflow around 2020-21, but also with substantial cyclical variation. Russia, on the other hand, has shown a great deal of volatility in its FDI flows, peaking in 2008 and then reducing suddenly before turning negative in 2022.



Source: UNCTAD statistics.

Fig. 1 Trend of FDI inflows in RIC economies from 2001 to 2024.

This research will be based on data covering the years 2001 through 2024, which have seen significant changes in global investment patterns (UNCTAD, 2024). The objective of this study is to identify factors that affect FDI inflows in RIC economies. The PMG-ARDL method will be used to test for long-term relationship and short-term dynamics among these variables while controlling for cross-country differences. In addition, the study contributes to entrepreneurship and sustainability literature through investigative how macroeconomic conditions influence FDI and subsequently shape environments that support entrepreneurship ecosystems, SME development, innovation activities, and sustainable enterprise growth within emerging economies. The organization of the paper is as follows: In section 2, review relevant literature; in section 3, describe the data and methodology used in the study; in section 4, present the empirical results and discuss them; and finally, in section 5, conclude with a summary of the key policy implications.

2.Review of Literature

2.1 Macroeconomic Determinants of Foreign Direct Investment

Foreign Direct Investment is broadly stared as a vital factor in driving economic growth by increasing capital, transferring technologies, improving productivity, and restructuring developing economies. Previous studies have tended to locate the explanation for FDI flows principally at the macroeconomic level and have analysed factors such as the size of the market, the level of openness to trade, the real rate of interest, the degree of development of infrastructure, the level of inflation, and the stability of the exchange rate. Nonetheless, new analyses of FDI have begun to identify the contribution of FDI to aspects such as entrepreneurship, the establishment of innovation ecosystems, the establishment and growth of small and medium-sized enterprises, and long-term sustainable economic growth. Both the size of the economy and the degree of economic growth have, been reported as major determinants of FDI. Larger economies tend to have greater levels of demand and therefore represent better investment opportunities. Islam and Beloucif (2023) identified macroeconomic stability as one of the main determinants affecting the volume of FDI inflow into an economy. Similarly, Kumari and Sharma (2017) concluded that larger economies will attract more foreign direct investment (FDI) because of the large number of market opportunities and beneficial investment conditions available to investors. Cheng and Kwan (2000) reported that the size of an economy will strongly influence the decisions that companies make with regard to the location of their investments, particularly with respect to developing economies.

FDI is also highly influenced by trade openness particularly in terms of access to international markets and the removal of barriers. When an economy opens up to trade, more opportunities become available for international business to take advantage of and, therefore, ultimately leads to increased investment. Saini & Singhania (2018) found evidence that trade openness significantly impacted

FDI patterns across countries. Benabdennour et al. (2024) showed there is a strong long-term positive relationship between FDI and trade openness, particularly in developing economies. Investment decisions will be driven by macroeconomic stability, as stable macroeconomic conditions lead to less uncertainty and greater investor confidence. Real interest rates also shape investor behaviour via borrowing costs and access to capital. Higher real interest rates will increase the cost of financing, which can then reduce investor willingness to engage in investment activity (Cevis & Camurdan, 2007; Ranjan & Agrawal, 2011). Inflation is often associated with uncertainty and will therefore have an effect on investor expectations; thus, inflation is often viewed as being a measure of economic instability. Shah (2016), to this effect, argues that the presence of stable inflation and careful macroeconomic policies would encourage investment inflows, while Sujit et al. (2020) found a negative correlation between inflation rates and FDI. A third variable that is very important in determining whether a country will attract foreign direct investment is the development of infrastructure. Acceptable transportation infrastructure, good communication systems, and advanced technology facilities allow businesses to be more efficient and lower their total cost of doing business. The infrastructure development is of particular interest to investors with Jaiblai and Shenai (2019), and Sujit et al. (2020) noting the criticality of the quality of infrastructure to the attraction of investment through FDI. The research to date indicates that the impact of infrastructure development on a country's attraction to FDI varies within and among countries and is strongly related to the economic stage and regional development of the country. Another determinant of FDI is the movement in exchange rates, which influence both international competitiveness and the cost of doing business. A stable exchange rate decreases the level of uncertainty and creates a favourable environment for making an investment. However, exchange rate volatility may reduce the likelihood that a foreign investor will make an investment. Frenkel et al. (2004), and Osmanovic and Alvi (2022) demonstrate that exchange rate movements correlate with FDI inflow into an emerging economy. Aside from macroeconomic factors, the quality of institutions, quality of governance, and political stability are also important determinants of the arrival of FDI. According to Buchanan et al. (2011), countries with strong institutions are more attractive to investors and have a lower level of investment volatility than those with less capable institutions. Similarly, Groh and Wich (2012), Faruq (2023), and Sarker and Serieux (2023) reaffirm that stable institutions and well-governed environments will have a positive impact on a foreign investor's determination to invest in a country.

2.2 Entrepreneurship, Innovation Ecosystems, and Sustainable Development

Recent studies have moved beyond traditional macroeconomic perspectives by emphasizing the role of FDI contributes to the development of the entrepreneurship ecosystem, innovation ecosystem and sustainable business practices. According to Knowledge Spillover Theory of Entrepreneurship, entrepreneurship emerges through both knowledge transfer - the flow of knowledge from one person or entity to another - and innovation (Audretsch & Keilbach, 2007). Foreign investment helps create new opportunities for entrepreneurship through technology transfer, management expertise, and global market connections. Sustainable entrepreneurship literature describe that entrepreneurship can create economic, environmental, and social benefits simultaneously. Dean and McMullen (2007) contend that inefficiencies in both the market place and in the environment will create opportunities for entrepreneurship; while Cohen and Winn (2007) assert that inefficiencies in the market will encourage entrepreneurs to grow their businesses sustainably. SMEs benefit from FDI through increased productivity, and access to technology and international markets (OECD, 2023). The entrepreneurship ecosystem is also dependent upon the quality of institutions, capabilities for innovation, and policy support (Acs et al., 2014). Lastly, social entrepreneurship and innovation for sustainable business becomes linked to the success of long-term competitiveness, while addressing social and environmental issues (Zahra et al., 2009; Schaltegger & Wagner, 2011).

2.3 Summary of Literature Review and Research Gap

Previous studies suggest that Foreign Direct Investment is influenced by many macroeconomic factors such as economic growth, trade openness, interest rates, infrastructure, inflation, and the stability of the currency. When economies are stable with a good institutional environment, this makes a country more attractive for investment. The growing body of research also mentions the role of FDI in terms of supporting entrepreneurship, innovation and SME development. Most prior studies focused on traditional macroeconomic determinants of FDI, but little has been done to examine how these determinants impact entrepreneurship or business sustainability. As a result, there is little evidence about how to explain the short-run or long-run dynamics of the FDI determinants to countries referred to as RIC countries. Hence, this study will investigate the gaps in this literature and examine FDI's relationship with entrepreneurship and sustainable development using the PMG-ARDL method.

3.Data and Methodology

In the present study, analyse the relationship between FDI inflows and certain macroeconomic variables for the countries known as RIC for the 2001 time period through 2024. The analysis is done using the Pooled Mean Group - Autoregressive Distributed Lag (PMG-ARDL) model with diagnostics for both determining short-run dynamics as well as examining long-term equilibrium relationships existing between these economies. The data used in this analysis comes from reliable international agencies such as the World Bank's Database on World Development Indicators (WDI), Bank of International Settlements (BIS) and UNCTAD. Based on the scholarly literature developed to date, there are six variables that are deemed to determine the level of FDI inflow: GDP, Trade Openness (TRDO), Real Interest Rate (RIR), Electric Power Consumption (kWh/capita), representing infrastructure (INFRA), Inflation (INF), and Real Effective Exchange Rate (REER). Dunning's Eclectic Theory and Entrepreneurship Ecosystem Theory support the variables selected in this research because they posit that strong macroeconomic conditions and positive market conditions increase the attractiveness of investing while also creating opportunities for the development of entrepreneurs. GDP and trade openness are representative of market opportunities and economic integration, respectively, and they can affect a firm's investment decisions by increasing the potential size of the market and providing better access to international markets. Further, infrastructure availability provides support for new and innovative activities while also improving operational efficiency through the reduction of operational constraints and facilitating productive types of economic activity. Macroeconomic indicators such as real interest rates, inflation, and exchange rates demonstrate the stability or instability of an economy. They will also depict the risk associated with investing into that economy. These characteristics will ultimately affect the way in which a firm behaves in making an investment and how an entrepreneur makes decisions about starting a business. A stable macroeconomic environment will also facilitate the allocation of resources in an efficient manner, promoting new and innovative activities, and increasing the number SMEs that exist and, in turn, creating a stronger entrepreneurship ecosystem and contributing to sustainable development of enterprises. Emerging economies such as RIC represent ideal study models for understanding the conditions an economy must have to develop rapidly. RIC countries are relatively new and rapidly transforming nations that have large numbers of entrepreneurs, a high level of foreign direct investment and sustainable economic growth. Economically they all have the same general challenges, but each one has its own unique challenges due to the global economic environment they operate in; therefore they are a good representation for studies of both common as well as country-specific factors that contribute to FDI and also how macroeconomic factors will shape the development of the supply chain and innovation and entrepreneurship ecosystems needed for sustained growth of small businesses in all developing nations and long-term business growth of any small businesses in any developing nation.

Table 1: Definition and data sources of variables with expected signs.

Variable name	Description	Data Sources	Expected Sign
FDI Inflows (FDI)	Log of Foreign Direct Investment inflows in the current USD	United Nations Conference on Trade and Development (UNCTAD)	Dependent Variable
Market Size (GDP)	Log of Gross Domestic Product in the current USD	World Development Indicators (WDI)	+
Trade openness (TRDO)	Trade Openness as a ratio of import of goods and services plus export of goods and services divided by GDP	World Development Indicators (WDI)	+
Cost of capital (RIR)	Real interest rate (%)	World Development Indicators (WDI)	–
Infrastructure (INFRA)	Log of electric power consumption (kWh per capital) in the current USD	World Development Indicators (WDI)	+

Macroeconomic stability (INF)	Inflation rate, consumer prices (%)	World Development Indicators (WDI)	–
Real effective exchange rate (REER)	Real effective exchange rate index (2010=100)	World Development Indicators (WDI) and Bank of International Settlements (BIS)	±

Source: Compilation by the authors

3.1. Model Specifications

In this study, we attempt to explore the relationship between specified variables with foreign direct investment by using the static panel regression model. Static panel modelling does not consider any dynamic adjustments, therefore requiring the formulation of an ARDL model in a panel setting.

This is static panel regression form:

$$LN_FDI_{it} = \beta_0 + \beta_1 LN_GDP_{it} + \beta_2 TRDO_{it} + \beta_3 RIR_{it} + \beta_4 LN_INFRA_{it} + \beta_5 INF_{it} + \beta_6 REER_{it} + u_{it} \quad (1)$$

Where, FDI_{it} is the log of Foreign Direct Investment in the current USD for country i at time t

GDP_{it} is the log of Gross Domestic Product in the current USD for country i at time t

$TRDO_{it}$ is the trade openness for country i at time t and is expressed as a ratio of import of goods and services plus export of goods and services divided by GDP

RIR_{it} is the real interest rate in country i at time t, reflecting the cost of borrowing after accounting for inflation.

$INFRA_{it}$ is the log electric power consumption (kWh per capita) in the current USD for country i at time t

INF_{it} indicates the inflation rate in country i at time t, expressed as the yearly percentage change in consumer prices.

$REER_{it}$ is the real effective exchange rate for a country i at time t is a measure of currency value u_{it} is the error term for a country i at time t

3.2 Panel Unit Root Test

PMG ARDL model can be written as:

To select the appropriate model, the analysis required to examine the order of the integration of the variables. To avoid the specious regression problem, numerous panel unit root test has been executed. For the analysis, in order to evaluate the integration and unit root among the variables, different panel unit root tests have been performed based on individual effects and combined effects. The panel unit root test based on ADF proposed by Levin, Lin, and Chu (LLC) t-test (2002) which assumes homogeneity in the dynamic panel of autoregression in all panel units. The LLC (2002) basic regression model is:

$$\Delta y_{it} = \mu_i + py_{it-1} + \sum_{j=1}^{m} \alpha j \, \Delta y_{it-j}) + \delta it + \theta it + \epsilon_{it} \quad (2)$$

Where, Δ denotes the first difference operator, m represents the lag length, μ_i and θit are unit-specific respective fixed effects and time effects. The Null hypothesis is that for all i, pi=0, i.e. the time series are all independent random walks, in contrast to the alternative, qi < 0 for all i.

3.3 Pooled Mean Group (PMG) panel ARDL Model

In this study, when the data is tested for the existence of unit root, we proceed with the requirement of the dynamic panel model. When few variables are stationary at levels and some of the first difference. The model used in the study is the PMG-ARDL model Pesaran, Shin, and Smith (1999) was designated to examine the long-term and short-term cointegration relationship between the variables and find out the ECM (error correction version) of the panel characteristics to identify the short-term dynamic. In the ARDL model chances of endogeneity are minimum as each of the variables stands as a single equation.

$$\Delta FDI_{it} = \phi_i (FDI_{i,t-1} - \beta_1 GDP_{i,t-1} - \beta_2 TRDO_{i,t-1} - \beta_3 RIR_{i,t-1} - \beta_4 INFRA_{i,t-1} - \beta_5 INF_{i,t-1} - \beta_6 REER_{i,t-1}) + \sum_{j=1}^{p} \lambda_{ij} \Delta FDI_{i,t-j} + \sum_{j=0}^{q} \delta_{1ij} \Delta GDP_{i,t-j} + \sum_{j=0}^{q} \delta_{2ij} \Delta TRDO_{i,t-j} + \sum_{j=0}^{q} \delta_{3ij} \Delta RIR_{i,t-j} + \sum_{j=0}^{q} \delta_{4ij} \Delta INFRA_{i,t-j} + \sum_{j=0}^{q} \delta_{5ij} \Delta INF_{i,t-j} + \sum_{j=0}^{q} \delta_{6ij} \Delta REER_{i,t-j} + \epsilon_{it}$$

Where, FDI_{it} represent the log of Foreign Direct Investment inflows for country i at time t and GDP_{it} is the log of Gross Domestic Product, which is considered a proxy for market size. $TRDO_{it}$ denotes trade openness and is calculated by taking the sum of exports and imports of goods and services divided by GDP. RIR_{it} stands for real interest rates, $INFRA_{it}$ is the log of infrastructure, represented through electricity power consumption (kWh per capita) INF_{it} refers to the inflation rate, and $REER_{it}$ stands for real effective exchange rate. Indices i=1, 2, and 3 represent cross-sectional units (Russia, India, and China), and t=2001... 2024 represents the time span. Here, ϵ_{it} is the error term and is considered independently and identically distributed. The Coefficient $\beta_1\beta_2\beta_3\beta_4\beta_5\beta_6$ are the long run coefficient, on the other hand λ_{ij} and δ_{ij} are the short-run dynamic coefficients of the lagged dependent and independent variables, respectively. The parameter ϕ_i refers to the error correction coefficient, which indicates the speed of adjustment towards the long-run equilibrium position and should be negative and significant.

The PMG estimation process estimates the long-term coefficients and short-term situations. Long-term coefficients are required to be the similar among the economies whereas short-term coefficients are required to change. PMG estimation has greater efficiency than the mean group estimator but it does not make restrictive pooling assumptions. The applicability of the PMG estimator in the present study can be justified by the earlier empirical research, including Maryam and Mittal (2020), who used PMG-ARDL model to investigate the determinants of FDI in BRICS (Brazil, Russia, India, China, South Africa) economies and discovered that the long-run effects were significant and heterogeneous within the short-run.

4. Results and Discussion

Before using any econometric approach, it is important to understand the statistical characteristics of the variables. Table 5 shows the Descriptive Statistics for all the parameters.

Table 2: An Overview of Key Economic Indicators in RIC Countries

Variable	FDI	GDP	TRDO	RIR	INFRA	INF	REER
Mean	10.51	28.51	46.29	2.23	7.79	5.77	99.73
Median	10.57	28.35	46.28	3.17	8.19	4.95	100.20
Maximum	12.15	30.56	63.56	13.07	8.87	21.47	138.05
Minimum	7.94	26.44	25.99	-12.85	5.95	-0.73	67.84
Std. Dev.	1.05	1.02	8.21	4.46	1.00	4.26	15.93
Skewness	-0.62	0.39	-0.02	-0.85	-0.42	1.13	0.17
Kurtosis	2.75	2.63	2.57	4.37	1.60	4.58	3.06

Observations	72.00	72.00	72.00	72.00	72.00	72.00	72.00

Source: Authors' computation

Table 2: Descriptive statistics indicate that most variables show only moderate levels of change over time and between different countries. These variables show no significant deviations due to their mean and median value being so similar to each other, thereby indicating a stable and consistent dataset, whereas variables such as trade openness, inflation, and interest rates appear to be more highly variable on an annual basis, reflecting differing economic conditions over time; the wide dispersion between the maximum and minimum values of these variables also indicates that these variables were subject to significant fluctuations, particularly during the periods of economic volatility. Consequently, the data appears to be generally uniformly distributed and to exhibit sufficient balance to be a valid and appropriate basis upon which to conduct additional panel econometric analyses.

Table 3: Results of Cross-sectional Dependence.

Test	**Statistic**	**Probability**
Pesaran CD Test (Cross-sectional Dependence)	Z = 0.758	Prob = 0.4482

Note: H_0: Cross-sectional independence
Source: Authors' estimation

The results of the Pesaran CD test for cross-sectional dependence are reported in Table 3. The test statistic value is Z = 0.758 and it has a corresponding p-value of 0.4482. Therefore, from the viewpoint of the typical 5% level of statistical significance, we cannot reject the null hypothesis of cross-sectional independence. Thus, there is no evidence of significant cross-sectional dependence among the residuals of the model. Therefore, the error terms between the RIC countries are independent which suggests that the model does not contain any significant amount of cross-sectional dependence.

Table 4: Variables Intercept trend and Order of Integration

Variable	**Intercept (Level)**	**Intercept + Trend (Level)**	**Intercept (1st Diff.)**	**Intercept + Trend (1st Diff.)**	**Stationarity Result**	**Order of Integration**
FDI	0.0635*	0.7305	0.000***	0.000***	Stationary at level	I (0)
GDP	0.9117	0.0829*	0.000* **	0.000***	Stationary after first difference	I (1)
TRDO	0.2684	0.0798*	0.000***	0.000***	Stationary after first difference	I (1)
RIR	0.0007***	0.0019***	0.000***	0.000***	Stationary at level	I (0)
INFRA	0.7625	0.0016***	0.004***	0.004***	Stationary after first difference	I (1)
INF	0.0254**	0.0241**	0.000***	0.000***	Stationary at level	I (0)
REER	0.1438	0.9005	0.0020***	0.0020***	Stationary after first difference	I (1)

Source: Author's computation

Note: ***, **, * denote at the 1%, 5% and 10% significance levels, respectively.

Table 4 is the stationary property of the variables and categorizes it according to the order of integration of panel unit root tests. It shows the statistics of the LLC panel unit root test with the intercept and intercept-trend at the levels and the first differences. Generally, there is no integration of second order of variables. Such outcome validates the application of the PMG-ARDL framework as well as making it certain that the long-term connections might be estimated in a significant way excluding the issue related to the simulated regression.

Table 5: PMG-ARDL Results

Dependent Variable: FDI		
Long-run	**Coefficient**	**Probability**
GDP	0.765***	0.000
TRDO	-0.218	0.811
RIR	-0.045	0.007
INFRA	-0.193	0.236
INF	-0.048**	0.031
REER	-0.015***	0.000
Short-run	**Coefficient**	**Probability**
COINTEQ (-1)	-0.584*	0.057
D(GDP)	0.668	0.750
D(TRDO)	-0003	0.987
D(RIR)	0.031*	0.063
D(INFRA)	-0.691	0.539
D(INF)	0.015	0.101
D(REER)	0.038	0.330
C	-4.504593	0.067

Source: Author's computation

Note: ***, **, * denote statistical significance at the 1%, 5% and 10% levels, respectively.

Table 5 presents the central econometric findings that were obtained by utilizing the PMG-ARDL model. The long-term coefficients render a good argument to support the fact that there was a steady relation between FDI inflows and the macroeconomic fundamentals in the RIC economies. The GDP has a positive and statistically significant influence on FDI inflows. The elasticity of 0.765 gives an idea that 1% growth in GDP results in 0.76% increase in FDI inflows in the long term. This observation is a confirmation that long term economic growth and huge domestic markets is a leading cause in attracting foreign investors. The TRDO variable is negatively related to growth in the short term (−0.003, p = 0.987) and the long term (−0.218, p = 0.81); however, since their probabilities are large, they are not statistically significant. The significant negative and long-term impact was observed on FDI inflows by real interest rates. The coefficient of -0.045 implies that the increase of the cost of borrowing makes foreign investment discouraged. This result goes in line with how sensitive foreign investors are to financing conditions and further supports the need to have stable and growth friendly environments with regard to monetary policies. FDI inflows are affected in a negative way by the inflation. Increased inflation indicates macroeconomic instability, thus decreases investor confidence and increases operational risks. Real effective exchange rate has a negative statistically significant effect on FDI inflows. Appreciation of the exchange rate reduces the

competition and it makes export-oriented foreign investment less.

4.Discussion

The results suggest that Foreign Direct Investment inflows into RIC countries are affected by external competitiveness. Countries with a high amount of exports and a low cost of doing business will generally receive higher amounts of FDI than other countries this is consistent with prior empirical research showing that market size, growth potential and competitiveness are key factors in a company's foreign investment decision (Chakraborty & Basu, 2002; Kumari & Sharma, 2017; Joo & Shawl, 2023). Countries with larger markets will have better investment opportunities and stronger demand than smaller markets, making them more attractive to foreign investors. On the other hand, the study found that while infrastructure development might theoretically lower operating costs and increase efficiency for businesses, it does not have a statistically significant long-term relationship with FDI in RIC countries. There may be a number of reasons contributing to this lack of significance: infrastructure quality varies greatly between countries; measurement criteria may vary as well; or the benefits of developing infrastructure may take time before they are realized. Even though infrastructure will most likely help to lower operational costs and increase the efficiency of conducting business overall, infrastructure's impact on investment decisions can also differ from country to country based on an individual country's level of development and the level of institutional quality.

There is a negative and statistically significant error correction term, which confirms that a long-run equilibrium relationship exists among the variables. The estimated coefficient of -0.584 implies that around 58.4% of the short-run disequilibrium will be corrected over a one-year period, suggesting a relatively quick process of adjustment towards a long-run equilibrium. These results are congruent with the PMG-ARDL literature, which stresses the role of long-run dynamics in determining FDI behaviour (Pesaran et al. (1999) Osmanovic & Alvi (2022). Moreover, some of the short-run coefficients were found to be statistically insignificant, indicating that foreign investors' temporary conditions do not materially influence their investment decisions. Foreign investors typically consider only long-term macroeconomic fundamentals, rather than short-term economic variability, when making investment decisions. Furthermore, differences across countries in short-run dynamics suggest that they have different adjustment mechanisms and respond differently to economic shocks. Macroeconomic instability decreases FDI inflows into host economies. High levels of inflation increase uncertainty and lower confidence in investment, while high borrowing rates increase capital costs and discourage capital investment activities. Similarly, appreciation of a nation's currency decreases competitiveness for export sales, thereby reducing the attractiveness of host countries as investment destinations for firms seeking efficiencies. These results corroborate the findings of earlier studies (Buchanan et al. (2011) that stress the importance of macroeconomic stability and institutional quality in attracting FDI. The overall results show that macroeconomic factors are important in determining FDI decisions and other factors impacting entrepreneurship and sustainable development in RIC countries. Macroeconomic conditions interfere with and support firm-level innovation and entrepreneurial activity by enabling a knowledge spillover effect. According to the knowledge spillover theory of entrepreneurship (Audretsch and Keilbach, 2007), entrepreneurship occurs as a result of the transfer of knowledge through knowledge spillovers and innovation diffusion and through past and present economic activity. FDI provides facilities for technology transfer; through FDI, firms acquire the skills to manage; through the provision of FDI, firms receive knowledge interconnected through knowledge spillover effects. In addition, the literature on entrepreneurship and innovation emphasizes that business growing in a sustainable manner requires supportive economic and institutional conditions to grow (Dean and McMullen, (2007) Cohen and Winn (2007) Schaltegger and Wagner, (2011). In specific, stable market conditions with controlled inflation and competitive exchange rates create environments that are conducive to innovation activities, allow for the efficient allocation of resources, and SMEs. Larger markets also create opportunities for entrepreneurs to expand their businesses by increasing demand for products and services and reducing entry into the market for small and medium-sized firms. The development of entrepreneurship ecosystems by enhancing entrepreneurship ecosystems through the provision of FDI shows that FDI is not just a provider of capital but also serves as a means to develop entrepreneurship ecosystems, promote sustainable enterprise development, and contribute to long-term economic resilience in developing countries.

5. Conclusion and Policy Implication

FDI is a significant source of capital formation, technology transfer, improved productivity and the economic development of emerging countries. This study analysed the macroeconomic drivers of FDI inflows into RIC economies between 2001 and 2024 using a PMG-ARDL methodology. The study provides evidence of a long-run equilibrium relationship between FDI inflows and selected macroeconomic

variables. The study shows that the market size has the greatest positive influence on the level of FDI, meaning that countries with ongoing economic growth and increasing domestic demand are more likely to attract FDI. Higher Real Interest Rates, Inflation and Appreciation of the Exchange Rate will each negatively impact FDI inflows because they increase the cost of financing for businesses, create greater economic uncertainty and diminish the international competitiveness of the economy. The study also indicates that FDI should be considered as not only a source of capital inflow, but as a mechanism to enhance entrepreneurship development, facilitate innovation transfer, and sustain the growth of enterprises. This study contributes to the Entrepreneurship literature by showing that stable macroeconomic conditions support the establishment of Entrepreneurship Ecosystems through Knowledge Spillover, Technology Transfer and access to international business networks. These mechanisms create the conditions necessary for SMEs to expand, for startups to be established, and for innovation-driven Companies to conduct business in emerging economies.

According to entrepreneurship and sustainability study, the relationship between macroeconomic conditions and firm-level innovation shows that macroeconomic stability encourages long-term sustainability and business innovations. More stable economic environments will improve the efficient allocation of resources, reduce uncertainty, provide companies with the ability to make long-term investment decisions, and support entrepreneurial activity. Therefore, the effects of macroeconomic stability extend well beyond attracting investments. Macroeconomic stability will also support the development of inclusive and sustainable businesses and create broader economic benefits. From a policy standpoint, the governments of RIC countries should adopt policies that integrate entrepreneurship with macroeconomic policies to help improve investment attractiveness and the outcomes of sustainable development. Specifically, to reduce uncertainty level and improve investor confidence, policy-makers in RIC countries should maintain price stability and moderate interest rates by adopting prudent monetary and fiscal policies. Additionally, RIC countries' governments should assist SMEs and the start-up environment by promoting the access of SMEs to financing, establishing business incubators, creating technology infrastructure that supports SME businesses, and promoting innovative financing mechanisms that support entrepreneurs.

To Encourage sustainability of entrepreneurship and provide support through incentives for environmentally, including; providing viable fiscal incentives, improvements of tax benefits and development of public-private partnerships to incentivize sustainable production behaviours and business methods, as we know as sustainable businesses. Policymakers should create access to more entrepreneurial opportunities for youth, women entrepreneurs, rural-based businesses and various underfunded communities; such as the creation of entrepreneurship training programs, skill development programs and inclusive financing schemes to broaden the participation to economic development and enhance long-term economic resilience. Finally, while infrastructure development may not demonstrate stable, significant long-term effects on foreign direct investment inflows in this study, continual improvements in transportation systems, energy infrastructure and digital connectivity are critical to improving business efficiency, lowering transaction costs and developing entrepreneurship ecosystems. Additionally, providing a stable and sustainable economic environment that increases investor confidence and encourages long-term entrepreneurship and business growth is vital. Thus, policymakers should place emphasis on developing logistics systems, developing energy infrastructure and developing digital connectivity to make the region more attractive for investment and enable entrepreneurs to be successful. These improvements will help create greater efficiency in the conduct of business, increase innovation and support small and medium-sized enterprises as well as new venture creation and support sustained long-term economic growth. An integrated policy framework that encourages entrepreneurs, supports small and medium-sized enterprises, supports new venture development, maintains macroeconomic stability and encourages sustainable business models will not only assist in attracting foreign direct investment but also provide the foundation for building long-term resiliency and building inclusive growth by creating a sustainable economy in emerging markets.

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