



The Revolving Dynamics of Exchange Rate on FDI in South Asian Countries; A Study Based on Wavelet Coherence Technique

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The study aims to establish the dynamic correlation and/or causality of the Exchange Rate (ER) on Foreign Direct Investment (FDI) at different frequencies and at different periods in the South Asian Region. The study employed panel data for eight countries in South Asia, considering the period 2002 to 2020. The novelty of this study is that, to the best of the authors' knowledge, it is a pioneer study done by local researchers that uses current panel data methodology to observe the causal relationship of the study variables in South Asia. The Wavelet Coherence Technique was used to analyze data, whilst the analysis implies a negative bidirectional correlation between the exchange rate and FDI in the short run. Additionally, the cone of influence demonstrates no specific correlation either in the medium or long-term, excluding the short term.

Keywords: *Exchange Rate, FDI, South Asia, Wavelet Coherence*