

Factors that Determine the Attraction of Foreign Direct Investments in the Time of Economic Crisis

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Foreign Direct Investment (FDI) refers to an investment made by a person or a company from one country into a business based in another country, with the aim of acquiring lasting control and interest over the investment. This type of investment promotes the flow of capital, technology, and employment across nations. When a country is on the verge of an economic breakdown, most enterprises hesitate to invest in those countries. So that it is of great importance to identify the determinants that influence the attraction of FDIs. Therefore, this research has been conducted to identify the frequently discussed determinants that impact the attraction of FDIs. Furthermore, only a limited number of studies have been conducted during economic crises. It presents a comprehensive overview of the past literature on the determinants that affect the attraction of FDIs and the importance of FDIs in a period of an economic crisis. During a financial crisis, developing and bankrupt countries must attract more FDIs to survive and grow their economy. Therefore, after analyzing the past literature, the authors have identified that characteristics like fair tax systems, trade openness, GDP, political stability, and proper infrastructure facilities are the factors that need to attract FDI. Hence, developing and bankrupt countries must consider the above factors and try to improve those factors to make the country more attractive to foreign investors. A limited number of publications were found on attracting FDIs during a financial crisis. This study will help future researchers understand the importance of the factors that influence the attraction of FDIs to a developing country during an economic crisis.

Keywords: Developing Countries, Economic Crisis, Financial Crisis, Foreign Direct Investment