

A Panel Data Application of Social, Economic and Political Factors Affecting Foreign Investors' Decision Making Mechanism

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Abstract

The increasing globalization trend leads to an increase in the competition between countries and companies. Companies aim to increase their influence and profits in the international market with this increased globalization. In this case, while foreign investors or organizations aim to make more profits with less cost, countries prepare various incentives and suitable environments to attract more foreign capital and investors to their countries. In this way, direct foreign investment (FDI) or its flow indicator has been seen as one of the most important factors for target countries. The question which is answered during the research is how investors or companies can decide whether the target country's condition is suitable for investment and what conditions that governments should provide for investors to attract more foreign direct investment. This research will examine different social, economic, and political factors that may affect FDI. As independent variables study includes unemployment rates, inflation rate, current account balance, democracy score, high technology exports, corruption, political stability, and the quality of state regulations. The dependent variable of this study is net FDI inflow. Using panel data methods in the research, the data of 49 countries for the years 2010-2019 will be collected, analyzed and compared. WDI, OECD, The Economist magazine, and the International Monetary Fund databases are used as sources. This study includes three-panel data methods including fixed, random, and pooled OLS. With the data obtained, the model established with 49 countries will investigate the relationship between dependent and independent variables both across countries

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and in the period, and whether there is an association between independent variables. In this research, it is expected that the high technology exports of developed countries have a great effect especially on the foreign direct investment net inflow in the target country. Also, this research will investigate and compare the *BRICS* group countries with European countries. *BRICS* countries are seen as the rising power in international politics and have become more influential in the international market. The study aims to obtain the countries' performance in terms of the dependent variable and offers the political and economic policies by comparing European countries, the *BRICS* and Turkey to help countries to review their political, economic, and social policies in the globalizing world and take new steps.

Keywords: Foreign Direct Investment, Panel Data Econometrics, BRICS
JEL Classification: E22, F62, G18, C51, C33