

Journal of Indonesian Economy and Business
Volume 26, Number 1, 2011, 1 – 9

COMPARATIVE STUDY OF THE ECONOMIC DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN PAKISTAN, INDIA AND INDONESIA

Muhammad Azam

Abdul Wali Khan University Mardan-Pakistan
(drazam75@yahoo.com)

ABSTRACT

In this study an attempt has been made to investigate the effects of economic factors on foreign direct investment (FDI) inflows into Pakistan, India and Indonesia. Simple log linear regression model for each country has been used and the method of least squares has been applied. Empirical results show that market size, domestic investment, trade openness, and physical infrastructure are the important economic determinants of FDI. Further, this study also found that the empirical results of the economic determinants of India matched with empirical results of Pakistan except two determinates (i.e., trade openness and government consumption), while that of Indonesia do not match with Pakistan and India. For attracting more FDI into Pakistan and India, the management authorities' needs to ensure economic and political stability, provision of infrastructure, peace and security, encouraging domestic investment and adoption of appropriate macroeconomic stabilization policy. Furthermore, this study recommend the same measures for Indonesia and suggest that more future research work are required for empirical investigation of determinants of FDI in Indonesia, to enhance the desirable level of FDI into the country.

Keywords: *foreign direct investment, Pakistan, India, Indonesia*