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Factors that Determine Foreign Direct Investment in Lesser Developed Countries

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Oral Presentation 2.2

**FACTORS THAT DETERMINE FOREIGN DIRECT INVESTMENT
IN LESSER DEVELOPED COUNTRIES**

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Net private capital flows to developing countries have dramatically increased in the past 15 years with much of the investment coming in the form of long-term, foreign direct investment. Because of the unique characteristics of this type of growth-enhanced investment, developing countries desire to attract and retain foreign direct investment (FDI). As a result, the lesser-developed country (LDC) has an incentive to strengthen areas and aspects of the economy or government that are heavily scrutinized by the firm when considering a possible long-term investment.

This study intends to measure the magnitude and the direction of suspected determinants that heavily influence a firm's decision to invest in FDI in a LDC. By utilizing the World Bank's World Development Data from 1997 in an OLS regression model, this study demonstrates the nature of key determinants of FDI, thus providing LDCs with the necessary information to make policy changes in order to maximize FDI.