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The Relationship Between Economic Growth and Foreign Direct Investment in the Philippine Economy

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Abstract

Foreign Direct Investments (FDI) serves as a financial provider to some countries who experience sluggish economy. Through this investment, it promotes stable, long-term interests, and generates a direct inflow from other countries and direct inflow of the capital in the economic system of a certain country. In this research, it demonstrates the indicators of how economic growth could attract foreign direct investment to boost its development in a certain country, mainly in the Philippines. It is important to identify how FDI would sustain the economic development despite of the ups and downs that have experienced in the Philippines. This research study used Inferential Statistics Method wherein it allows one to describe data and interpret as well as formulate conclusions out from appropriate data. The findings showed that only one variable have significant effect on Foreign Direct Investments. Stock market is highly significant impact by FDI, as shown by their p-values below the 5% level of significance. This research study conclude that Economic Growth has a significant relationship to Foreign Direct Investment (FDI). This means that 1 unit of GDP will increase FDI to 0.08%. When PSE Index increase by1 unit, Foreign Direct Investment decreases by -413 units.

Keywords: Economic Growth, Foreign Direct Investment, GDP, Stock Market

1. Introduction

Developing countries with significant state debt and a poor economic condition have the least desire to attract as much foreign investment as possible. The International Trade Administration (2022) states that significant barriers to investment include inadequate infrastructure, high power costs, sluggish internet access, inconsistent regulatory practices, and corruption. The Philippines' convoluted, sluggish, and occasionally corrupt judicial system prevents the prompt and equitable resolution of business disputes to the investors. Subsequently, several international organizations, decision-makers, and economists frequently view FDI as a catalyst for economic growth and a solution to established nations' global challenges (Modi, 2021). However, for poor nations to receive the full benefits of FDI for development, national policies and the international investment architecture are crucial. According to Romer (1990) endogenous growth theory holds that economic growth is predominantly the consequence of internal rather than external influences. Gross domestic product and stock market are the dominant indicators of foreign direct investment.

Foreign Direct Investments (FDI) serves as a financial provider to some countries who experience sluggish economy. According to Loungani and Razin (2019) we can determine that through this investment, it promotes stable, long-term interests, and generates a direct inflow from other countries and direct inflow of the capital in the economic system of a certain country. Also, ILO (n.d.) states that it increases the stimulation of economic development that promotes high employment rate, creates competitive market, and ensures the living standard of the society. As stated by Anwar and Nguyen (2022), the economic systems key sectors, including telecommunications, natural gas and oil, technological devices, and information technology, are created as a result of FDI inflow, laying the groundwork for the nation's long-term development as well as advancing its industrialization and modernization processes. Gross domestic product and stock market are the dominant indicators of foreign direct investment.

Foreign direct investment in Finland remained by far the largest donor to Sweden (30% of all projects in Finland). Finland boosted its investments, particularly in China (7% of all investment projects), the United Kingdom (9%) and Norway (7%). Heiskanen et al. (2019). The main trends in FDI activity in Finland are high, as well as a major contribution of foreign capital to the Finnish economy. Finland's relative success in attracting foreign direct investment and their sectorial and geographical allocation. The larger social, economic, and environmental benefits of foreign multinational activities in Finland. In the Philippines, the country became a popular location for international direct investment primarily to the Asian financial crisis. Foreign direct investment (FDI) increases rapidly from USD 6.8 billion in 2020 to USD 10.5 billion in 2021, surpassing the comprised entirely-year target of USD 8 billion that was established by the Philippine Central Bank (UNCTAD, 2022). As a result, these changes drew a large amount of foreign direct investment into the Philippine economy. According to Colina (2020), Foreign Direct Investments (FDI) in the Davao Region surged to P1.823 billion in 2019, an increase of 43 percent as compared to the P1.2747 billion recorded in 2018.

In this research, the purpose of this study is to demonstrate the indicators of how economic growth could attract foreign direct investment in order to increase more in a certain country, mainly in the Philippines. Specifically, it aims to present the trend of indicators of Economic Growth and FDI in the Philippines from the period 1987 to 2020 and to provide empirical evidence of the relationship between Economic Growth and FDI in the Philippines.

The gross domestic product (GDP) of a country is a measure of its total economic output and productivity. It is the total market value of all commodities and services produced by the economy at any particular period. This is supported by Callen (2022) the author defines GDP evaluates the financial worth of finished goods and services—namely, those purchased by consumers and created in a nation during a specific time period. At this point, the Philippines is classified as an emerging economy according to (World Bank, 2021). However, Bajpai (2022) stated that though the Philippines' economy has experienced rapid growth since the 2000s, the nation's per-capita income is still much lower than that of developed nations, keeping it among the classification of developing economies. In fact, services now account for more than 61% of the nation's GDP, reflecting the country's growing reliance on them.

Furthermore, Stone (2017) the author states that an increased GDP growth broadens the economy's overall size and improves macroeconomic performance. According to Sebastian (2018)'s research, GDP is the most essential determinant of foreign investment since it measures the size and strength of an economy. It is the entire value of goods and services generated within a country over a specific time period, usually a year. Additionally, Philippines is one of the ASEAN's top performers having a consistent GDP of 6% since 2014 according to (Baguisi and

Lin, 2020). A country with a high GDP may have more resources available to invest in infrastructure and other projects that can further attract foreign investment. According to Callen's (2022) research, when it comes to the relationship between GDPs per capita and FDI, changes in the output of goods and services per person (GDP per capita income) are usually used as a measurement or indicator of whether the typical citizen in a given nation is better off or worse off. It was claimed in Felipe and Estrada (2018), states that the country's average gross domestic product (GDP) growth rate from 2010 to 2017 was 6.4 percent, up from 4.5 percent from 2000 to 2009 and substantially higher than the 2.4 percent average growth rate from 1980 to 1999. Furthermore, the authors also revealed in their study that the Philippines has experienced higher development in recent years compared to Indonesia, Malaysia, and Thailand.

Foreign investors often consider GDP when deciding where to invest because a strong and growing economy is generally seen as a good indicator of a country's investment potential according to (Susic et.al., 2017). Also, Sengupta and Puri (2018) revealed in their study that the relationship between GDP and FDI is positive, and it has been noted that FDI was crucial to the expansion of the economy. For a nation to develop over time, foreign direct investment was essential. The initial absolute correlation between FDI and real GDP per capita growth indicates a positive contemporaneous relationship between the two. This implies that FDI may have had a favorable effect on growth outcomes on a whole (Baiashvili and Gattini, 2020). The economy's short and long-term growth can be influenced by business investment. Because physical capital is created and sold, a rise in business investment immediately improves current levels of gross domestic product (GDP) in the short term which improves the economic development in a certain country. For this reason, business investment is one of the most variable components of GDP, with quarter-to-quarter variations of up to 20% according to (Congressional Research Service, 2022)

As stated by Muhammad et al. (2016) that stock market advocates contend that it is crucial to the growth of business world, which has an impact on a country 's economic growth. If the company being invested in is publicly traded on the local market, FDI inflows may increase the liquidity and capitalization of the domestic stock market, hence boosting SMD (Ramirez, 2018). However, Omar et al. (2022) said that long- term effects of the stock market on economic growth are favorable and significant, whereas short-term effects are negligible. By pulling in foreign investors, Qamruzzaman & Wei (2019) said that improvements in the performance of stocks and financial inclusion can have a favorable impact on the amount of foreign money that enters the economy. Particularly, the growth of the stock market and financial inclusion in the economy have a good impact on foreign portfolio investment.

In addition, Sen Gupta and Atri (2018) claims that the growth of the financial industry will alter the structure of the financial system's assets and instruments. Moreover, global capital movement also intensifies financial market activity through overseas rivalry, inventive corporate strategies, and technical advancement, ultimately leading to improvements in the financial sector and accelerating economic growth (Qamruzzaman & Wei, 2019). As explained by Sunday (2018) that used the Vector Error Correction model to conduct a study on the impact of the equity market on foreign investment portfolios in Nigeria. Long- term favorable correlations between domestic capital market growth and portfolio investments from abroad were found by the study's findings. According to Otchere et al. (2016), overseas enterprises are more inclined to list on stock exchanges in countries with well-developed stock markets because doing so not only helps them produce funds but also helps them create their brand identification in the local market. Yet, due to poor organizations and rules, significant volatility, asymmetric information, and speculative activity, an inefficient stock market may develop. Due to the possibility of receiving less value in the share price, being unable to raise the necessary funds, or failing to recoup their investment, overseas businesses avoid listing their equity on such stock exchanges (Pham et al., 2022).

Foreign direct investment (FDI) is encouraged by the availability of financial services and the lower cost of capital provided by well-developed financial markets. Based on the study of Omorokunwa (2018), it states that the stock market is distinctive since it offers affordable long-term borrowing and market liquidity. Although studies about the relationship between economic growth and FDI inflows have come up empty, stock market development (SMD) has been identified as a good significant indicator of economic growth in less advanced economies (Ramirez, 2018), where in fact a well-run stock market pulls in foreign capital to the nation (Rajapake, 2018).

The endogenous theory was proposed by Romer (1990), where it states that endogenous growth theory holds that economic growth is predominantly the consequence of internal rather than external influences. It asserted that increases in productivity may be directly linked to quicker innovation and higher investments from public and commercial entities in human capital (Liberto, 2020). Further, based on (Endogenous growth theory, 1994) states that instead of being driven by outside causes, economic growth is produced internally inside the system.

Also, Bouchoucha & Ali (2019) support this theory on their study how foreign direct investment affects economic growth where they state that FDI plays a bigger role in growth than domestic investment as a means of transferring technology. Furthermore, the level and rate of absorption of technological advances brought in by fdi inflows are determined in part by human capital. To support the attraction of FDI and technology transfer, the labor force must have necessary qualifications, which has a significant impact on economic growth. FDI indicates that the investor has a strong influence over the management of the firm in another economy. This theory simply explains that foreign direct investment gives a significant advantage in a certain country that provides explicit contribution wherein it produces an efficient productivity, boost employment rate and access to all external markets that encourage every country specially the investors to engage foreign direct investment in order to enhance and sustain economic growth.

The main variable is the economic growth and their impact on foreign direct investment in the Philippine economy. The indicators are: Gross domestic product (GDP), is a measure of a country's entire economic output and productivity. Stock market, a place where trade equity shares of public firms happens.

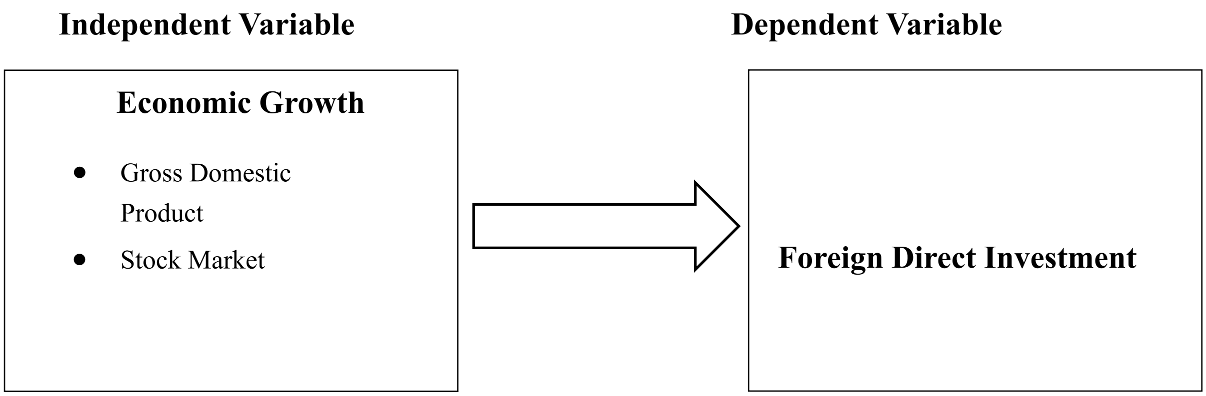

Figure 1. Conceptual Framework

This research study provides valuable information and recommendations to these specific individuals differently such as investors, financial institution, government institution and future researchers. The investors could gain the information acquired by the researchers in this study enables to evaluate and assess their ideas and knowledge on whether or not to engage in foreign direct investment in the Philippines. The data obtained by the researchers will be useful to some countries, that financial institution's role in a country's endeavor to attract Foreign Direct Investment. Ability to develop, prosper, and foster a stable economy. The outcome of this study provides valuable information that the government sectors may be able to have new ideas and ways of improving strategies that will attract foreign investors in the Philippines. The idea and information given in this study can be utilized as reference to the future researchers for further research into related study. This study will also serve as their attribution that provides them an overview or a background on the relationship between economic growth and FDI in the Philippine Economy.

2. Method

2.1 Data Source

This study used secondary data on data on gross domestic product and stock market on the trend of economic development, and the trend of Foreign Direct Investment in the Philippines from the period 1987-2020 were sourced from World Development indicators which published by World Bank and Trading Economics for the collection of data to ensure its validity. The period of this study was estimated 33 years. Based on Ali (2016), the frequency distribution is the fundamental element of statistical analytical tools that helps in interpreting survey data which gives reliable and robust results. The selected variables of this research study are based on the indicators of economic development.

2.2 Research Design and Procedure

This research study used Inferential Statistics Method specifically the Ordinary Least Square (OLS) wherein it allows one to describe data and interpret as well as formulate conclusions out from appropriate data. According to Gray (2017), quantitative research methods focus on objective measurements and statistical, mathematical, or numerical analysis of data acquired through polls, questionnaires, and surveys, as well as modifying pre-existing statistical data by computing techniques. In other words, quantitative research is associated with collecting numerical data and generalizing across its groups of individuals or explaining phenomena.

In gathering of data, the researchers observed this step. First, identify and assess research sources as the researchers searched and evaluate relevant reliable research sources and will provide the most relevant existing data and information about the relationship between economic growth and FDI in the Philippine Economy. Second, collect existing data that has already been gathered from primary sources and made available for researchers to utilize the study. Lastly, analysis and interpretation of data wherein the researchers will analyze and interpret data gathered from World Bank and Trading Economics.

3. Results and Discussion

In this chapter, it aims to present the trend of indicators of Economic Growth and FDI in the Philippines from the period 1987 to 2020 and to provide empirical evidence of the relationship between Economic Growth and FDI in the Philippines.

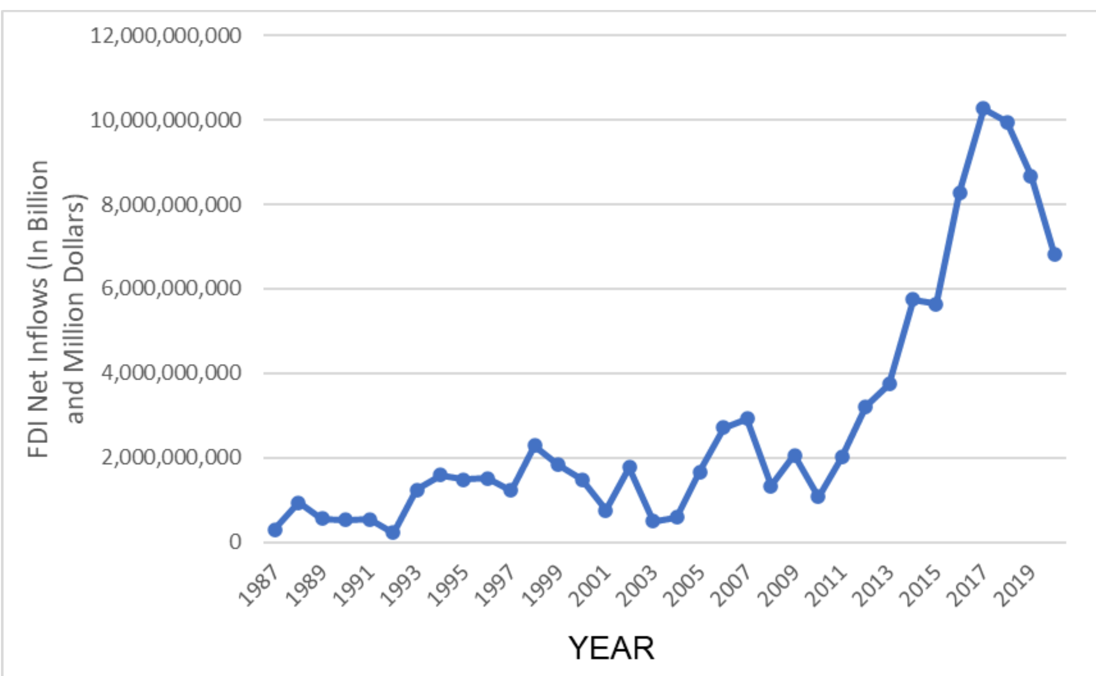

Figure 2. Foreign Direct Investment Net Inflows in the Philippines from 1987-2020

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Figure 2 shows the Foreign Direct Investment Net Inflows in the Philippines from 1987-2020. It can be observed that Foreign Direct Investment inflows has an increasing trend. In the data, the lowest point is in 1992 wherein the Foreign Direct Investment was 228,000,000 million US Dollar. Large FDI withdrawals were recorded in of 1992, which caused a sharp decline in net FDI inflow. According to De Leon et al. (2021), among the 3 ASEAN countries, the Philippines receiving the lowest level of FDI inflows specifically in the year 1990s and 2000s due to economic and political challenges. In addition, the study of Lumabao et al. (2023) claims that after Fidel Ramos was elected in 1992, his administration began peace negotiations with both right-wing military rebels and communist insurgents. However, the rise in crime, which negatively impacted the country's peace and order situation, as well as the power outage crisis, which caused hours-long blackouts, furthered the unfavorable perceptions of foreign investments in the Philippines, which discourages investors from making investments in the country. Despite of the issue, FDI inflows manage to increase in 1993 with 28%. On the other hand, 2017 was the highest point recorded. According to Philippine Statistics Authority (2017), the manufacturing sector acquired the greatest proportion of foreign investments amounting Php 908 billion which is a 32.5 % increase from the PhP 686.0 billion pledged the year before due to the increasing number of manufacturers in the Philippines. After a decade, FDI inflows increase rapidly from 2011-2017 and afterward it suddenly decreases at the end of 2020 due to the pandemic.

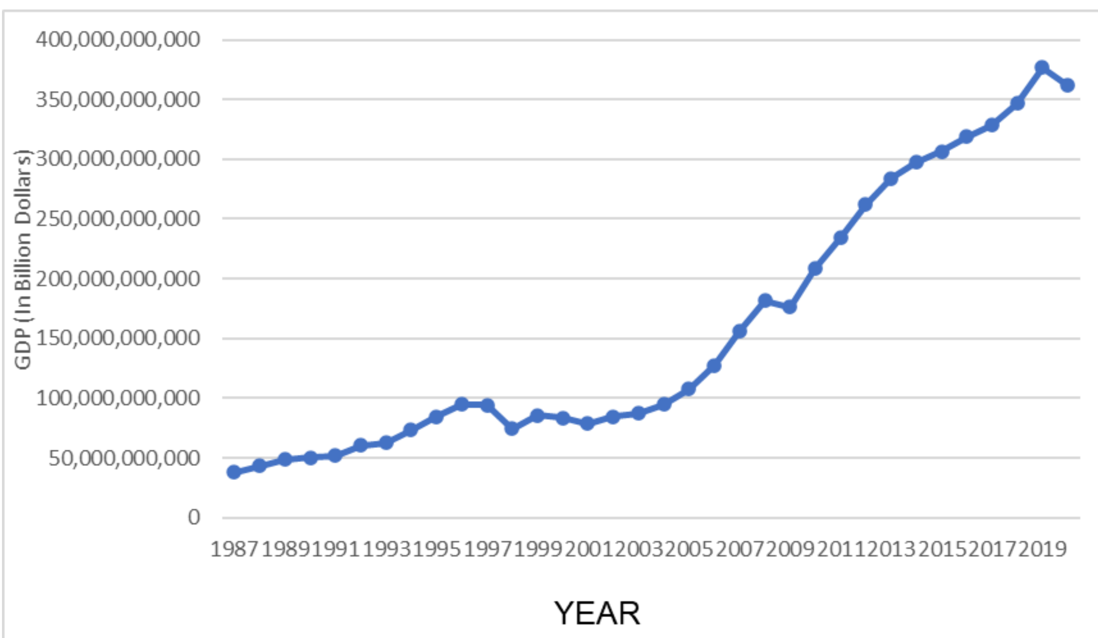

Figure 3. Gross Domestic Product in Billion US Dollars of the Philippines from 1987-2020

Figure 3 represents Gross Domestic Product of the Philippines dated from 1987-2020. From the data above, it depicts that the economic growth is in an increasing trend. The Philippines' economy shrank significantly in 1998, with the gross national product rising just 0.1% after increasing 5.8% in 1997. In the study of Simbre (2019) it reveals that following the Asian Financial Crisis, which led to the country's economy entering an economic downturn, the Philippine GDP rate fell to -0.6% in 1998. In addition, agriculture's output decreased by 6.7% from 1996 to 1997, accounting for 241% of the GDP reduction. The loss of capital caused by the economy's contagious repercussions resulted in a more than 50% depreciation of the currency. El Niño, as previously mentioned, decreased agricultural output by 6.7% in 1997–1998 and contributed 2.41 times to the loss in GDP. The industrial sector was affected by the Asian contagion and bad policies, and its growth rate fell from 6.1% to 1.9%. From 16.2% to -8.5%, construction saw a very significant decline. Also, Cruz et al. (2018) believed that this was primarily brought on by the drought that EL Niño caused as these times experienced severe drought in both urban and rural regions due to a greater than 50% decrease in rainfall. However, the fourth quarter of 2019 had experienced a rapid growth of 6.4 % in Gross Domestic Product (GDP) which giving the year as a whole a gain of 5.9 percent. Services experienced the largest growth in the fourth quarter of 2019 regarding the major economic sectors, increasing by 7.9%. Sector growth was 5.4 percent. A growth of 1.5% was recorded in agriculture, hunting, forestry, and fishing according to (Philippine Statistics Authority, 2020).

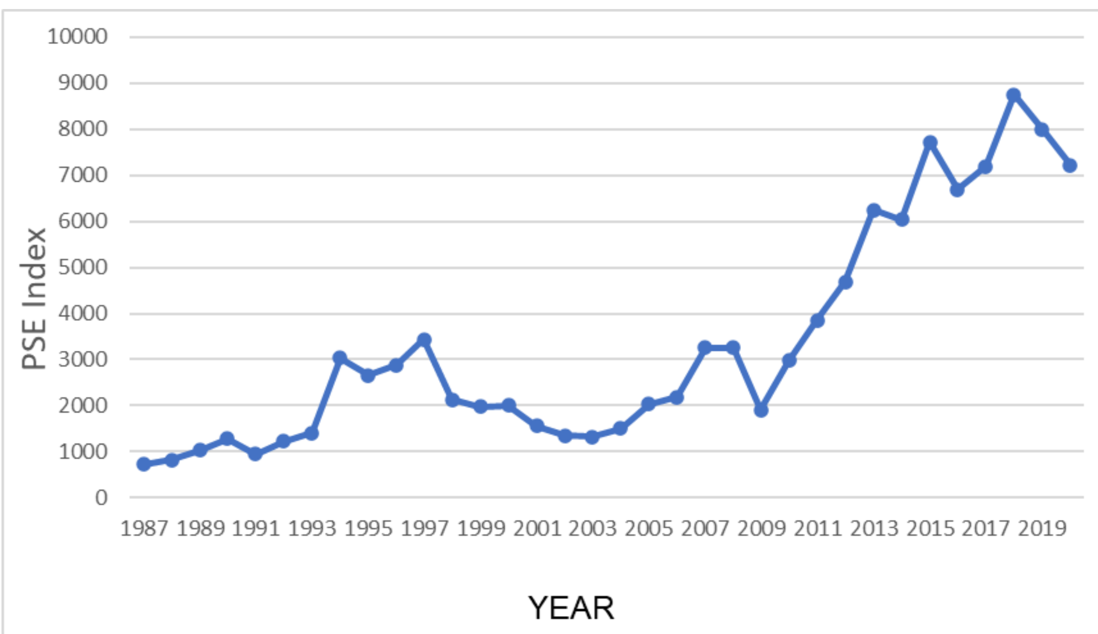

Figure 4. Stock Market in US Dollar of the Philippines from 1987-2020

Figure 4 presents the Stock Market of the Philippines from 1987-2020. It can be seen that the

Stock Market of the Philippines from the early years has an increasing behavior. Notably, it reached its peak in 2018 (8745.8 PSE index). Based on Ho & Odhiambo (2016) claims that substantial reforms have been a major factor in the rapid transformation of PSE from the 1990s. Particularly in the early 2010s, the PSE's momentum has been consistent with or growing. The World Federation of Exchanges named the PSE as one of the top performing stock exchanges globally in 2012. (WFE). As a result, over time, the Philippine stock market has seen tremendous expansion. The Philippine stock market's position on the global market capitalization ratio ranking rose from 44th in 2009 to 12th in 2014. Even though the PSE has grown quickly over the years, it still has a number of problems, such as a less diverse investor base, less competition on the PSE than on its regional counterparts, poor corporate governance, and a weak regulatory framework for the growth of the financial sector (Ho & Odhiambo, 2016). The number of stock market accounts surpassed one million in 2018 due to the growth of internet trading, according to a report by the Philippine Stock Exchange, Inc. (PSE). By the end of 2018, there were 1.089 million stock market accounts, a 25.4% increase over the 868,810 accounts that was open in 2017.

Table 1. Weighted Regression Analysis Results

Coeff	std err	t stat		p-value
weight	33977.09	7651.796	4.440407	0.000147
GDP (In Billion Dollars)	0.086774	0.044684	1.941927	0.063054
PSE Index	-413.294	184.7038	-2.2376	0.034034*

*Significant at 5%; R^2= 0.8911.

Table 1 depicts the estimated coefficients produced by the Weighted regression analysis using RTO. The findings showed that only one variable have significant effect on Foreign Direct Investments. Stock market is highly significant impact by FDI, as shown by their p-values below the 5% level of significance.

According to the model, only GDP has positive coefficient sign while Stock Market shows negative sign. This means that 1 unit of GDP will increase FDI to 0.08%. When PSE Index increase by1 unit, Foreign Direct Investment decreases by -413 units. Moreover, the R square has a value of 0.8911, which is 89% of our indicators were explained in the model. However, the remaining 11% demonstrate by the other factors which are not encompass to our study.

The study's findings on GDP are confirmed by the work of Alshamsi et al. (2017), who examined the influence of inflation and GDP per capita on foreign direct investment in the United Arab Emirates. The authors found out that GDP has a significant impact to FDI inflows. On the other hand, Tsagkanos et al. (2019) analyzing for the test of significance they used Markov Switching regression model. The result of the analysis indicates that there is a relationship between stock market development (SMD) and foreign direct investment (FDI). During the whole interval, the findings show a strong and consistent long-run relationship.

Foreign Direct Investment (FDI) in developing nations has a crucial impact on knowledge transmission and capital formation. By providing external resources, new technology, stimulating economic growth, capacity building, and improving the stock market. Moreover, Susic et al. (2017) believes that in order to achieve long-term growth, investments are required for the renewal and expansion of domestic capital as well as for keeping up with emerging technology. Compared to other forms of money, including loans, portfolio investments, and foreign aid, foreign direct investments are thought to be the best source of funding. Stock Market has a significant impact on FDI for the reason that investments have a strong impact on stock market in the country. Additionally, According to Ramirez (2018), the literature has established stock market development (SMD) as a major positive predictor of economic growth in developing nations. The relationship between FDI inflows and economic growth has been equivocal; nonetheless, FDI inflows help sustain the stock market because the company being invested in is listed domestically, and this capital may improve market liquidity and capitalization.

4. Conclusions and Recommendations

4.1 Conclusions

Foreign Direct investment, Gross Domestic Product and Stock Market in the Philippines has an increasing trend for the year 1897-2020. The result of the study revealed that among the determinants of economic growth, only Stock Market significantly affect the foreign direct investment of the Philippine economy. This determinants have p-values that are less than the 5% significant level. This means that GDP has positive coefficient sign while Stock Market shows negative sign. This means that 1 unit of GDP will increase FDI to 0.08%. When PSE Index increase by1 unit, Foreign Direct Investment decreases by -413 units. This can be resonated with the works of Alshamsi et.al. (2017) and Tsagkanos et al. (2019), who studied in the case of United Arab Emirates and foreign direct investment and stock market development. The authors found out that GDP has a significant impact to FDI inflows. Also, with the use of Markov Switching regression model in order to examine the effects of stock market development to foreign investors.

In this research study, we conclude that Economic Growth has a significant relationship to Foreign Direct Investment (FDI). Thus, in developing nations, it has a crucial impact on knowledge transmission and capital formation. By providing external resources, new technology, stimulating economic growth, capacity building, and improving the stock market. The relationship between FDI inflows and economic growth has been unclear; yet, FDI inflows help sustain the stock market since, if the company being invested in is listed domestically, this capital may improve market liquidity and capitalization. According to Ramirez (2018), research has shown stock market development (SMD) as a major positive predictor of economic growth in developing countries. Gross Domestic Product may not be significant however, it could affect foreign investors for the reason that investments have strong impact on GDP growth. Thus, this paper provides ample information with reliable data sources on the relevance of the relationship between economic growth and foreign direct investment in the Philippine Economy.

4.2 Recommendations

The following recommendations are made based of the findings and conclusions in this research study. Foreign Investors should consider investing in a certain country that has high economic stability through its Gross Domestic Product, inflation, and consumer price index in order to ensure expected returns of sales in the investment. Financial Institution should create security information to safeguard the financial system stability and develop an effective implementation of investment strategies and policies to ensure that foreign investors can have a friendly business environment in the Philippines. Government Institution should reduce restrictions by providing fair, trustworthy, and open business environments for all types of domestic and international businesses, including the safeguarding of intellectual property rights, accessibility to imports, and the convenience of doing business. Also, they must encourage investors to invest more in the Philippines in order to improve the economic growth as it expands export potential by bringing in new companies with relations in other markets and improving the overall export performance. Future Researchers should examine additional potential influences on Foreign Direct Investment and employ different statistical analysis in order to overcome discrepancies in the literature.

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APPENDIX A

Data Source: Foreign Direct Investment Net Inflows in the Philippines from 1987- 2020

Year	Net Inflows (In Billion and Million Dollars)
1987	307,000,000
1988	936,000,000
1989	563,000,000
1990	530,000,000
1991	544,000,000
1992	228,000,000
1993	1,240,000,000
1994	1,590,000,000
1995	1,480,000,000
1996	1,520,000,000
1997	1,220,000,000
1998	2,290,000,000
1999	1,830,000,000
2000	1,490,000,000
2001	760,000,000
2002	1,770,000,000
2003	492,000,000
2004	592,000,000
2005	1,660,000,000
2006	2,710,000,000
2007	2,920,000,000
2008	1,340,000,000
2009	2,060,000,000
2010	1,070,000,000
2011	2,010,000,000
2012	3,220,000,000
2013	3,740,000,000
2014	5,740,000,000

2015	5,640,000,000
2016	8,280,000,000
2017	10,260,000,000
2018	9,950,000,000
2019	8,670,000,000
2020	6,820,000,000

Data Source: Gross Domestic Product in Billion US Dollars of the Philippines from 1987-2020.

Year	GDP (In Billion Dollars)
1987	37,790,000,000
1988	43,150,000,000
1989	48,510,000,000
1990	50,510,000,000
1991	51,780,000,000
1992	60,420,000,000
1993	62,400,000,000
1994	73,160,000,000
1995	84,640,000,000
1996	94,650,000,000
1997	94,110,000,000
1998	74,490,000,000
1999	85,640,000,000
2000	83,670,000,000
2001	78,920,000,000
2002	84,310,000,000
2003	87,400,000,000
2004	95,000,000,000
2005	107,420,000,000
2006	127,650,000,000
2007	155,980,000,000
2008	181,620,000,000
2009	175,970,000,000

2010	208,370,000,000
2011	234,220,000,000
2012	261,920,000,000
2013	283,900,000,000
2014	297,480,000,000
2015	306,450,000,000
2016	318,630,000,000
2017	328,480,000,000
2018	346,840,000,000
2019	376,820,000,000
2020	361,750,000,000

Data Source: Stock Market in US Dollar of the Philippines from 1987-2020.

Year	PSE Index
1987	726.73
1988	826.97
1989	1027.5
1990	1278
1991	952.27
1992	1227.9
1993	1403.3
1994	3032.2
1995	2656.3
1996	2881.9
1997	3433.2
1998	2130.1
1999	1979.7
2000	2004.8
2001	1553.7
2002	1353.2
2003	1328.2
2004	1503.6

2005	2029.8
2006	2180.2
2007	3257.8
2008	3257.8
2009	1904.5
2010	2982.1
2011	3859.2
2012	4686.2
2013	6239.9
2014	6039.4
2015	7718.4
2016	6690.9
2017	7192.1
2018	8745.8
2019	7994
2020	7217.2

APPENDIX B

WEIGHTED REGRESSION RESULTS

Table 1.
Weighted Regression Analysis Results

	Coeff	std err	t stat	p-value
weight	33977.09	7651.796	4.440407	0.000147
GDP (In Billion Dollars)	0.086774	0.044684	1.941927	0.063054
PSE Index	-413.294	184.7038	-2.2376	0.034034*

*Significant at 5%; R^2= 0.8911

1 unit of GDP will increase FDI to 0.08%. When PSE Index increase by1 unit, Foreign Direct Investment decreases by -413 units.

The findings showed that only one variable have significant effect on Foreign Direct Investments. Stock market is highly significant impact by FDI, as shown by their p-values below the 5% level of significance.