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Analysis of Economic Factors and Corruption on Foreign Direct Investment in ASEAN Countries

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Abstract *This study aims to analyze the effects of economic growth, inflation, trade openness, exchange rates, interest rates, and the Corruption Perception Index on foreign direct investment (FDI) in seven ASEAN countries during the period 2010–2024. The study uses panel data that combine time-series and cross-sectional observations. The analytical technique is panel data regression with the Fixed Effect Model approach. The results show that, jointly, economic growth, inflation, trade openness, exchange rates, interest rates, and the Corruption Perception Index have a significant effect on foreign direct investment, with a coefficient of determination of 88.03 percent. Individually, trade openness, interest rates, and the Corruption Perception Index have positive and significant effects on foreign direct investment. Economic growth and inflation have positive but insignificant effects, while the exchange rate has a positive effect that is significant at the 10 percent level.*

Keywords:

*Foreign Direct Investment;
Trade Openness;
Corruption Perception Index*

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INTRODUCTION

Foreign direct investment (FDI) has become one of the most important sources of external financing for developing countries because it contributes to capital accumulation, technology transfer, employment creation, and productivity improvement. According to UNCTAD (2023), FDI refers to cross-border investment through which an investor acquires a lasting interest and a significant degree of influence in an enterprise located in another country. Beyond providing financial capital, FDI facilitates technological diffusion, managerial innovation, and knowledge

transfer, thereby enhancing production efficiency and supporting sustainable economic growth. Consequently, many developing countries actively compete to attract foreign investment as part of their long-term development strategies.

ASEAN has emerged as one of the world's most dynamic economic regions owing to its strategic geographical location, abundant natural resources, expanding consumer market, and increasing regional economic integration. The establishment of the ASEAN Economic Community (AEC) has strengthened regional cooperation by facilitating the movement of goods, services, investment, and skilled labor among member countries (ASEAN Secretariat, 2024). As a result, ASEAN has become one of the most attractive destinations for multinational enterprises seeking investment opportunities in emerging markets.

Despite ASEAN's growing attractiveness, the distribution of FDI inflows remains highly uneven among member countries. Singapore consistently records the highest FDI inflows because of its advanced financial markets, strong institutional quality, and business-friendly environment. In contrast, countries such as Cambodia and the Philippines receive relatively lower FDI inflows owing to differences in economic structure, infrastructure development, and institutional capacity. Furthermore, FDI inflows fluctuated considerably during 2010–2024 in response to changes in global economic conditions, international trade dynamics, and the COVID-19 pandemic (World Bank, 2025). These disparities suggest that macroeconomic conditions and institutional quality play an important role in shaping foreign investment decisions across ASEAN countries.

From a theoretical perspective, Dunning's Eclectic Paradigm (OLI Theory) explains that foreign direct investment is influenced by ownership advantages, location advantages, and internalization advantages (Dunning, 1993). Among these dimensions, location advantages, including macroeconomic stability, market size, institutional quality, and the policy environment, are particularly important in determining investment destinations. Consequently, countries that maintain stable macroeconomic conditions and high-quality institutions tend to attract greater foreign investment inflows.

Although numerous studies have examined the determinants of foreign direct investment, empirical findings remain inconclusive. Some studies report significant relationships between macroeconomic variables and FDI, whereas others find statistically insignificant effects. These inconsistencies may arise from differences in observation periods, country coverage, estimation techniques, and institutional characteristics. Moreover, empirical evidence focusing on ASEAN countries during the period 2010–2024 remains limited: most previous studies employ shorter observation periods, focus on individual countries, or incorporate only a limited number of explanatory variables, and relatively few simultaneously integrate macroeconomic variables and institutional quality within a panel data framework. Therefore, further empirical investigation is necessary to provide updated evidence on the determinants of FDI in ASEAN.

Several empirical studies have produced mixed findings regarding the determinants of FDI. Hakim and Endraswati (2024) found that exchange rates positively affect FDI at the 10 percent significance level. Rahmatin and Harahap (2025) reported that exchange rates have a positive but insignificant effect on FDI. In addition, Sahara (2024) found that inflation does not significantly influence FDI, while other studies reported different results. These inconsistent findings may be caused by differences in countries, observation periods, estimation methods, and economic conditions.

Therefore, this study aims to analyze the effects of economic growth, inflation, trade openness, exchange rates, interest rates, and the Corruption Perception Index

on foreign direct investment in seven ASEAN countries during the period 2010–2024 by applying a panel data regression approach.

The novelty of this study lies in the integration of macroeconomic variables and institutional quality indicators within a balanced panel data framework covering seven ASEAN countries over a fifteen-year period. Unlike many previous studies that focus on individual countries or a limited set of explanatory variables, this study simultaneously examines the effects of economic growth, inflation, trade openness, exchange rates, interest rates, and the Corruption Perception Index on foreign direct investment. It therefore provides more comprehensive and updated empirical evidence on the determinants of FDI in ASEAN countries.

LITERATURE REVIEW AND HYPOTHESES

Economic Growth and Foreign Direct Investment

Economic growth reflects the increasing capacity of an economy to produce goods and services over time and is commonly used as an indicator of economic performance. According to Todaro and Smith (2020), sustained economic growth increases production capacity, expands market size, and creates greater business opportunities. Consequently, countries experiencing higher economic growth are generally considered more attractive destinations for foreign investors because they offer higher expected returns and stronger market potential.

From the perspective of foreign investment theory, multinational corporations tend to allocate investment to countries with favorable economic conditions. Higher economic growth signals increasing consumer demand, improved business prospects, and greater profitability, thereby encouraging foreign direct investment. However, economic growth alone may not be sufficient to attract foreign investors because investment decisions are also influenced by institutional quality, infrastructure, political stability, and regulatory certainty.

Several empirical studies have examined the relationship between economic growth and foreign direct investment. Rahman and Kurniawan (2023) reported that economic growth has a positive but statistically insignificant effect on FDI. Similarly, Siregar (2022) concluded that investors consider broader macroeconomic and institutional conditions rather than economic growth alone. Based on these theoretical and empirical arguments, the first hypothesis is formulated as follows:

H1: Economic Growth has a positive effect on Foreign Direct Investment.

Inflation and Foreign Direct Investment

Inflation represents a continuous increase in the general price level within an economy. According to Mankiw (2018), inflation affects purchasing power, production costs, and investment decisions. High inflation generally increases uncertainty and reduces business profitability, thereby discouraging foreign investment. Conversely, stable inflation reflects sound macroeconomic management and creates a more favorable investment environment.

Although inflation is theoretically expected to influence investment decisions, empirical evidence remains inconclusive. Multinational corporations often adopt long-term investment strategies and may therefore pay greater attention to market potential than to temporary price fluctuations. Consequently, moderate inflation does not necessarily reduce foreign investment inflows.

Sahara (2024) reported that inflation has a positive but statistically insignificant effect on foreign direct investment. Angela et al. (2024) also found that inflation is not the primary determinant of FDI because multinational firms focus more on long-term profitability than on short-term inflationary pressures. Therefore, the second hypothesis is formulated as follows:

H2: Inflation has a positive effect on Foreign Direct Investment.

Trade Openness and Foreign Direct Investment

Trade openness reflects the extent to which an economy is integrated into international markets through exports and imports. According to Salvatore (2019), countries with more open trade policies generally attract greater foreign investment because they provide easier market access, lower transaction costs, and better export opportunities.

From an economic perspective, multinational corporations prefer countries with liberal trade regimes because such regimes facilitate the movement of goods and services across international borders. Greater trade openness also enhances production efficiency by encouraging competition and improving resource allocation. Previous empirical studies consistently report a positive relationship between trade openness and foreign direct investment. Therefore, the third hypothesis is formulated as follows:

H3: Trade Openness has a positive effect on Foreign Direct Investment.

Exchange Rate and Foreign Direct Investment

The exchange rate represents the value of one country's currency relative to another and plays an important role in international investment decisions. According to Krugman and Obstfeld (2018), exchange rate stability reduces uncertainty regarding production costs, expected returns, and international competitiveness. Consequently, stable exchange rates improve investor confidence and encourage foreign direct investment.

Empirical evidence on the relationship between exchange rates and FDI remains mixed. Hakim and Endraswati (2024) found that exchange rates positively influence FDI at the 10 percent significance level, whereas Rahmatin and Harahap (2025) reported a positive but statistically insignificant relationship. Based on these theoretical and empirical arguments, the fourth hypothesis is formulated as follows:

H4: Exchange Rates have a positive effect on Foreign Direct Investment

Interest Rates and Foreign Direct Investment

Interest rates represent the cost of borrowing and play an important role in investment decisions. According to Mishkin (2019), lower interest rates reduce financing costs and stimulate investment activity, whereas higher interest rates increase borrowing costs and may discourage investment. Nevertheless, interest rates may also reflect macroeconomic stability and the credibility of monetary policy. In developing economies, stable financial conditions often increase investor confidence and support long-term investment decisions. Therefore, the fifth hypothesis is formulated as follows:

H5: Interest Rates have a positive effect on Foreign Direct Investment.

Corruption Perception Index and Foreign Direct Investment

Institutional quality has increasingly become one of the major determinants of foreign investment. According to North (1990), institutions establish the formal and informal rules governing economic activities and investment decisions. Better institutional quality reduces uncertainty, strengthens legal certainty, and lowers transaction costs.

The Corruption Perception Index (CPI) published by Transparency International is widely used as an indicator of institutional quality. Countries with higher CPI scores generally have lower levels of corruption and thus provide a more predictable business environment for foreign investors. Several empirical studies indicate that improvements in governance quality significantly increase foreign direct investment. Therefore, the sixth hypothesis is formulated as follows:

H6: The Corruption Perception Index has a positive effect on Foreign Direct Investment.

METHODS

This study employed a quantitative research approach using panel data regression analysis to examine the effects of economic growth, inflation, trade openness, exchange rates, interest rates, and the Corruption Perception Index on foreign direct investment (FDI) in ASEAN countries during the period 2010–2024. According to Baltagi (2005), panel data combine cross-sectional and time-series observations, providing more informative data, greater variability, less collinearity among variables, and more efficient parameter estimates than pure cross-sectional or time-series data.

The study covered seven ASEAN countries, namely Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, and Cambodia. The observation period spanned fifteen years, from 2010 to 2024, resulting in a balanced panel of 105 observations. Secondary data were collected from internationally recognized databases. Data on foreign direct investment, economic growth, inflation, trade openness, exchange rates, and interest rates were obtained from the World Development Indicators (World Bank), while data on the Corruption Perception Index (CPI) were obtained from Transparency International.

The dependent variable in this study is foreign direct investment (FDI), while the independent variables are economic growth (PE), inflation (INF), trade openness (KP), the exchange rate (NT), the interest rate (SB), and the Corruption Perception Index (IPK). To improve the statistical properties of the regression model, all variables were transformed into natural logarithms. According to Gujarati and Porter (2009), logarithmic transformation helps reduce heteroscedasticity, minimizes scale differences among variables, and enables the estimated coefficients to be interpreted as elasticities.

The operational definitions of the variables used in this study are presented in table 1.

Table 1. Operational Definition of variables

Variable	Symbol	Measurement	Source
Foreign Direct Investment	LFDI	Net Inflows (Current US\$)	World Bank
Economic Growth	LPE	Annual GDP Growth (%)	World Bank
Inflation	LINF	Consumer Price Index (Annual %)	World Bank
Trade Openness	LKP	(Exports + Imports)/GDP (%)	World Bank
Exchange Rate	LNT	Official Exchange Rate (LCU per US\$)	World Bank
Interest Rate	LSB	Real Interest Rate (%)	World Bank
Corruption Perception Index	LIPK	CPI Score (0-100)	Transparency International

The panel data regression model employed in this study is specified as follows:

$$\text{LFDI}_{it} = \beta_0 + \beta_1 \text{LPE}_{it} + \beta_2 \text{LINF}_{it} + \beta_3 \text{LKP}_{it} + \beta_4 \text{LNT}_{it} + \beta_5 \text{LSB}_{it} + \beta_6 \text{LIPK}_{it} + \epsilon_{it}$$

Where:

LFDI = Foreign Direct Investment

LPE	= Economic Growth
LINF	= Inflation
LKP	= Trade Openness
LNT	= Exchange Rate
LSB	= Interest Rate
LIPK	= Corruption Perception Index
β_0	= Constant
$\beta_1\text{--}\beta_6$	= Regression coefficients
ε	= Error term
i	= Cross-sectional unit (country)
t	= Time period

Panel data estimation was conducted using three alternative approaches, namely the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). According to Gujarati and Porter (2009), the Common Effect Model assumes that all cross-sectional units share the same intercept, whereas the Fixed Effect Model allows the intercept to differ across countries. In contrast, the Random Effect Model assumes that the individual effects are random and incorporated into the error term.

To determine the most appropriate estimation model, model selection tests were performed using the Chow test and the Hausman test. The Chow test was employed to determine whether the Common Effect Model or the Fixed Effect Model was more appropriate, whereas the Hausman test was used to choose between the Fixed Effect Model and the Random Effect Model. Based on the results of these tests, the Fixed Effect Model (FEM) was selected as the most appropriate estimation model for this study.

Prior to estimating the regression model, several diagnostic tests were conducted to ensure that the model satisfied the classical assumptions. These included normality, multicollinearity, and heteroscedasticity tests. According to Gujarati and Porter (2009), diagnostic testing is necessary to ensure that the estimated regression model produces unbiased, consistent, and efficient estimators.

The statistical evaluation of the model consisted of the coefficient of determination (R^2), the F-test, and the t-test. The coefficient of determination was used to measure the explanatory power of the independent variables, the F-test was employed to examine the joint effect of all explanatory variables on foreign direct investment, and the t-test was used to evaluate the individual effect of each independent variable. All statistical analyses were performed using EViews 13.

RESULTS AND DISCUSSION

CHOW TEST

The Chow test was conducted to determine the appropriate panel data estimation model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). According to Gujarati (2004), the Chow test compares whether the intercepts across cross-sectional units are identical or different.

Table 2. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	12.148082	(6,92)	0.000
Cross-section Chi-square	61.265491	6	0.000

Based on Table 2, the probability value of the cross-section F statistic is 0.0000, which is lower than the significance level of 0.05, indicating that the Fixed Effect Model is preferred over the Common Effect Model. Since the Chow test only compares the Common Effect Model and the Fixed Effect Model, the Hausman test was subsequently conducted to determine the final estimation model.

Hausman Test

According to Winarno (2017), the Hausman test is used to determine whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) is more appropriate for panel data estimation.

Table 3. Hausman Test Result

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	72.888492	6	0.0000

The Hausman test results show a probability value of 0.0000, which is lower than 0.05, indicating that the Fixed Effect Model is more appropriate than the Random Effect Model. Since both the Chow and Hausman tests consistently selected the Fixed Effect Model, this model was used to estimate the determinants of foreign direct investment in ASEAN countries.

Fixed Effect Model Estimation Results

After the appropriate panel data model had been determined, the Fixed Effect Model was estimated to examine the effects of economic growth, inflation, trade openness, exchange rates, interest rates, and the Corruption Perception Index on foreign direct investment in ASEAN countries during the period 2010–2024.

Table 4. Fixed Effect Model Estimation Results

Dependent Variable: LFDI

Method: Panel Least Squares

Date: 05/04/26 Time: 12:15

Sample: 2010 2024

Periods included: 15

Cross-sections included: 7

Total panel (balanced) observations: 105

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.007941	3.140565	2.549841	0.0124
LPE	0.073909	0.099513	0.742704	0.4596
LINF	0.030151	0.047068	0.640594	0.5234

LKP	1.469905	0.431153	3.409241	0.0010
LNT	0.774179	0.429874	1.800946	0.0750
LSB	0.489685	0.145487	3.365836	0.0011
LIPK	0.934741	0.468528	1.995058	0.0490

Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.880342	Mean dependent var	23.17523	
Adjusted R-squared	0.864734	S.D. dependent var	1.104188	
S.E. of regression	0.406104	Akaike info criterion	1.151030	
Sum squared resid	15.17265	Schwarz criterion	1.479615	
Log likelihood	-47.42907	Hannan-Quinn criter.	1.284179	
F-statistic	56.40484	Durbin-Watson stat	1.731699	
Prob(F-statistic)	0.000000			

The estimated panel regression equation is expressed as follows:

$$\text{LFDI} = 8.007941 + 0.073909\text{LPE} + 0.030151\text{LINF} + 1.469905\text{LKP} + 0.774179\text{LNT} + 0.489685\text{LSB} + 0.934741\text{LIPK} + \varepsilon$$

P-value	= (0.4596) (0.5234) (0.0010) (0.0750) (0.0011) (0.0490)
F-statistic	= 56.40484
Prob(F-statistic)	= 0.000000
R-squared	= 0.880342
Adjusted R-squared	= 0.864734

The coefficient of determination (R^2) indicates that approximately 88.03% of the variation in foreign direct investment is explained by economic growth, inflation, trade openness, exchange rates, interest rates, and the Corruption Perception Index. The remaining 11.97% is explained by other variables outside the model. Moreover, the probability value of the F-statistic is 0.000000, indicating that the independent variables jointly have a significant effect on foreign direct investment in ASEAN countries.

Based on Table 3, the results of the partial significance test are as follows:

1. Economic growth (LPE) has a positive regression coefficient of 0.073909 with a probability value of 0.4596 (> 0.05). Therefore, economic growth has a positive but statistically insignificant effect on foreign direct investment. A 1% increase in economic growth tends to increase FDI by 0.073909%, ceteris paribus.
2. Inflation (LINF) has a positive regression coefficient of 0.030151 with a probability value of 0.5234 (> 0.05). Therefore, inflation has a positive but statistically insignificant effect on foreign direct investment. A 1% increase in inflation tends to increase FDI by 0.030151%, ceteris paribus.
3. Trade openness (LKP) has a positive regression coefficient of 1.469905 with a probability value of 0.0010 (< 0.05). Therefore, trade openness has a positive and statistically significant effect on foreign direct investment. A 1% increase in trade openness is associated with an increase in FDI of 1.469905%, ceteris paribus.
4. The exchange rate (LNT) has a positive regression coefficient of 0.774179 with a probability value of 0.0750. Therefore, the exchange rate has a positive effect on foreign direct investment that is statistically significant at the 10% level. A 1% increase in the exchange rate tends to increase FDI by 0.774179%, ceteris paribus.
5. The interest rate (LSB) has a positive regression coefficient of 0.489685 with a probability value of 0.0011 (< 0.05). Therefore, the interest rate has a positive and

statistically significant effect on foreign direct investment. A 1% increase in the interest rate is associated with an increase in FDI of 0.489685%, *ceteris paribus*.

6. The Corruption Perception Index (LIPK) has a positive regression coefficient of 0.934741 with a probability value of 0.0490 (< 0.05). Therefore, the Corruption Perception Index has a positive and statistically significant effect on foreign direct investment. A 1% improvement in the Corruption Perception Index is associated with an increase in FDI of 0.934741%, *ceteris paribus*.

The empirical findings reveal that economic growth has a positive but statistically insignificant effect on foreign direct investment in ASEAN countries. Although higher economic growth tends to increase market size and business opportunities, the insignificant relationship suggests that economic expansion alone is insufficient to attract foreign investors. According to Todaro and Smith (2020), economic growth reflects an increase in production capacity and market potential, both of which theoretically enhance investment attractiveness. However, multinational enterprises also consider institutional quality, infrastructure, political stability, and regulatory certainty when selecting investment destinations. This finding is consistent with Faruq (2023), who reported that economic growth has a positive but insignificant effect on FDI, indicating that macroeconomic expansion should be accompanied by improvements in the investment climate in order to attract foreign capital effectively.

The estimation results also indicate that inflation has a positive but statistically insignificant effect on foreign direct investment. This finding implies that inflation is not the primary factor influencing foreign investment decisions in ASEAN countries. According to Mankiw (2018), inflation may increase production costs and create economic uncertainty; however, multinational corporations generally adopt long-term investment strategies and therefore pay greater attention to market prospects than to temporary price fluctuations. This result supports Sahara (2024) and Angela et al. (2024), who also found that inflation does not significantly affect FDI because investors prioritize long-term profitability and market potential.

The empirical analysis further demonstrates that trade openness has a positive and statistically significant effect on foreign direct investment. Greater trade openness facilitates international trade, reduces transaction costs, and improves market accessibility, thereby increasing the attractiveness of ASEAN countries to multinational enterprises. According to Salvatore (2019), economies with more liberal trade policies generally receive higher FDI inflows because they provide broader opportunities for production and export activities. The significant relationship identified in this study confirms that trade liberalization remains one of the key drivers of foreign investment in ASEAN countries. This finding is also supported by Hakim and Endraswati (2024) and Purwono (2024).

The results also reveal that the exchange rate has a positive effect on foreign direct investment that is statistically significant at the 10 percent level. This finding indicates that exchange rate stability contributes to investor confidence by reducing uncertainty regarding production costs and investment returns. Krugman and Obstfeld (2018) argue that exchange rates influence international competitiveness and expected investment profitability. This finding is in line with Hakim and Endraswati (2024), who found that exchange rates positively affect FDI at the 10 percent significance level, and with Rahmatin and Harahap (2025), who reported a positive although statistically insignificant relationship.

The empirical findings indicate that the interest rate has a positive and statistically significant effect on foreign direct investment. Although higher interest rates may increase financing costs, they may also signal sound macroeconomic conditions and credible monetary policy. According to Mishkin (2019) and Mankiw

(2018), interest rates influence investment decisions through their effect on the cost of capital and expected returns. This finding is also supported by Bakti and Alie (2018). Therefore, stable financial conditions supported by appropriate monetary policy are important for maintaining investor confidence and encouraging sustainable foreign investment.

Finally, the results demonstrate that the Corruption Perception Index has a positive and statistically significant effect on foreign direct investment. This finding indicates that better institutional quality and lower levels of corruption significantly enhance the attractiveness of ASEAN countries to foreign investors. According to North (1990), institutions establish the formal and informal rules governing economic activities and investment decisions. Countries with stronger governance, greater transparency, and higher legal certainty create a more predictable business environment, thereby reducing transaction costs and encouraging foreign investment. Consequently, improving institutional quality should remain one of the main priorities for ASEAN governments in promoting sustainable foreign direct investment.

Overall, the empirical findings demonstrate that macroeconomic and institutional factors jointly influence foreign direct investment in ASEAN countries. Among the variables examined, trade openness, the interest rate, and the Corruption Perception Index exhibit statistically significant positive effects, while economic growth and inflation show positive but insignificant relationships. The exchange rate also contributes positively to foreign direct investment, although its effect is significant only at the 10 percent level. These findings suggest that strengthening trade integration, maintaining macroeconomic stability, and improving institutional quality are essential strategies for enhancing the attractiveness of ASEAN countries as destinations for foreign direct investment.

Policy Implications

The findings of this study have several important policy implications for ASEAN countries. First, governments should continue to strengthen trade openness by reducing trade barriers, expanding international trade agreements, and improving export competitiveness, as greater integration into global markets has been shown to increase foreign direct investment significantly. Second, maintaining macroeconomic stability, particularly through prudent monetary policies and stable financial markets, is essential for enhancing investor confidence and encouraging long-term investment. Third, improving institutional quality by strengthening transparency, reducing corruption, and ensuring legal certainty should remain a policy priority because better governance significantly increases the attractiveness of ASEAN countries as investment destinations. Finally, although economic growth and inflation were not found to have statistically significant effects, maintaining sustainable economic growth and stable inflation remains important for supporting a favorable overall investment climate.

Limitations And Suggestions

This study has several limitations. First, the analysis is limited to seven ASEAN countries over the period 2010–2024, which may not fully capture the diversity of investment conditions across all ASEAN member states. Second, the study focuses on only six explanatory variables representing macroeconomic and institutional factors, while other determinants of foreign direct investment, such as infrastructure quality, political stability, human capital, digitalization, and environmental policies, were not included in the regression model.

Future studies are encouraged to expand the geographical coverage by including additional developing countries or by conducting comparative analyses across different regional economic blocs. Further research may also incorporate broader institutional and structural variables and apply alternative estimation techniques, such as dynamic panel models or spatial panel regression, to provide more comprehensive evidence on the determinants of foreign direct investment.

CONCLUSION

The objective of this study was to examine the effects of economic growth, inflation, trade openness, the exchange rate, the interest rate, and the Corruption Perception Index on foreign direct investment (FDI) in seven ASEAN countries during the period 2010–2024 using panel data regression analysis. Based on the results of the Fixed Effect Model estimation, trade openness, the interest rate, and the Corruption Perception Index have positive and statistically significant effects on foreign direct investment. Economic growth and inflation have positive but statistically insignificant effects, while the exchange rate has a positive effect that is statistically significant at the 10 percent level. Furthermore, the regression model explains approximately 88.03 percent of the variation in foreign direct investment, indicating that the selected explanatory variables have substantial explanatory power for FDI inflows in ASEAN countries. These findings suggest that institutional quality and macroeconomic conditions jointly determine the attractiveness of ASEAN countries to foreign investors. In particular, improving trade openness, strengthening governance quality, and maintaining sound monetary conditions are more effective in promoting foreign direct investment than relying solely on economic growth. Therefore, comprehensive economic policies that integrate trade liberalization, institutional reform, and macroeconomic stability are essential for supporting sustainable foreign investment and long-term economic development in ASEAN countries.

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