

Is the World Bank Ease of Doing Business Ratings a Determinant of FDI in a Country? Analyzing the Effects of EODB Indicators of FDI according to Countries' Income Levels

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Abstract: Foreign Direct Investment (FDI) is an essential instrument for the economy of all countries, especially in high-, middle-, and low-income countries for development reasons. Therefore, many countries around the world, especially middle and low-income countries are focused on attracting more FDI to their countries. In fact, there are many factors that can attract FDI. One of them, the international financial institution (World Bank) mentioned the ease of doing business (EoDB) as a crucial factor. Therefore, the aim of the research is to try to identify the most significant determinants of FDI in high, middle, and low-income countries, in this case, EoDB and macroeconomic indicators.

This study uses panel data from the World Bank which aims to identify whether the World Bank's EoDB Indicator, and other factors such as Gross Domestic Product (GDP), GDP Rate, Population, and Corruption Perception Index (CPI) affect the amount of FDI of a country.

The results of this study indicate that, both in High Income, Middle (Upper and Lower) Income, and Low-income countries; the EoDB factor has a significant influence on FDI inflows. However, each country group is affected by different EoDB indicators. There are also other findings in this study that the control variable (macroeconomics) also significantly affects FDI inflows.

This study recommends for developing countries (middle and low-income) to improve the quality of their institutions in attracting more FDI and also continue to provide policies that are able to support and not distract macroeconomic indicators.

Keywords: FDI, EODB, Panel Regression, Middle Income Country

Introduction

In an open globalized economic system, Foreign Direct Investment (FDI) serves as an important tool in improving the economic systems of middle and low-income countries, as it is regarded as a catalyst for further economic progress. Moreover, the positive externality of an influx in FDI is seen as: (i) helping in the modernization, (ii) decreasing unemployment by creating jobs and wealth which would then serve as a stimulus that would have a multiplier effect through the spill over of knowledge, and (iii) transferring of technology which would further increase the productivity of people in the developing country. As most empirical studies have shown that the magnitude of the contribution of FDI to a country's productivity and income level is significantly higher than of domestic investment. Therefore, it is of utmost importance for countries to ensure a conducive business environment to first attract investment inflows into the country, and then protect the interest of the investors when they have already decided to invest in the country. Taking into account the above factors, many countries have tried to adopt domestic policies to address their country's need to improve their business environment to make the country more appealing to foreign investments which would result in the maximization of the benefits of foreign direct investment into their country. As the world economy is recovering from the shock of the Covid-19 Pandemic, FDI inflows have seen a dramatic collapse in 2020, where FDI flows into developed countries were the hardest hit whereas FDI flows to developing countries to a small hit, it accounted for 72% of the global FDI inflows, this indicates that the majority of FDI inflows are to the

developing countries as it provides businesses with new opportunities through creation of new markets for their products, which is illustrated in the figure below:

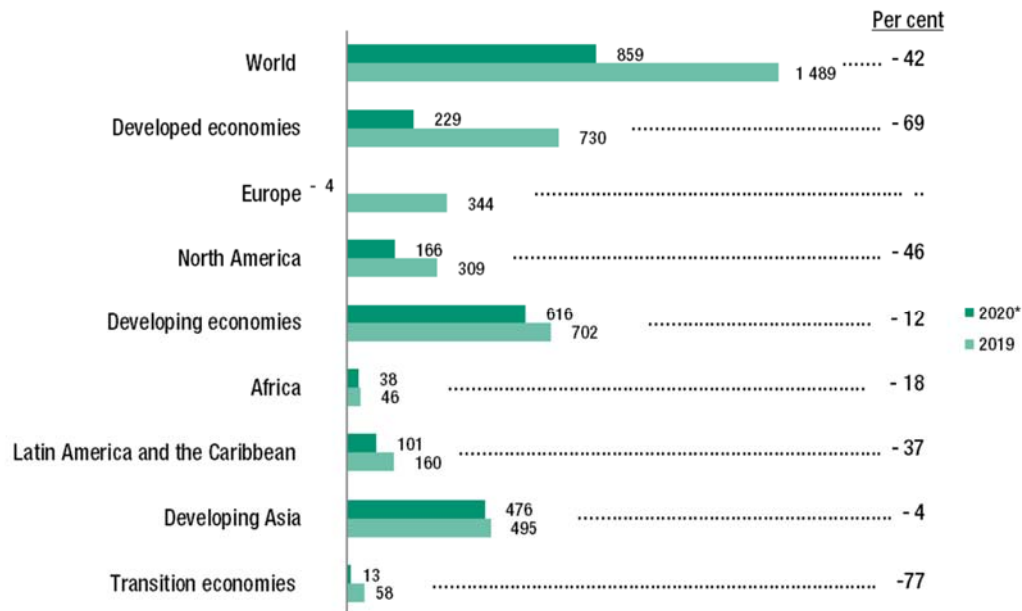


Figure 1 The Global FDI Flow Overview

Source: UNCTAD Preliminary Estimates

The current economic situation serves as a challenge and at the same time provides opportunities for the low-middle income countries and high-middle income countries to escape from the middle-income trap (MIT) which is a situation where middle-income countries fail to transition to make the transition to a High-Income country due to a decline in the country's relative competitiveness as well as rising cost.

The findings of previous studies such as (Fung, *et al.*, 2002 and Contractor, *et al.*, 2021) illustrates that the business environment especially regulations can affect foreign direct investments. Since its launch in 2003, the EoDB index has been used to analyze the relationship of the business environment on economic growth, FDI and entrepreneurship. The yearly report ranks 189 economies based on procedures, documents, days and cost needed for specific business-related task. The variables are grouped into 10 (ten) indicators or categories which are:

- 1) Starting A Business
- 2) Dealing with Construction Permit
- 3) Getting Electricity
- 4) Registering Property
- 5) Getting Credit
- 6) Protecting Minority Investors
- 7) Paying Taxes
- 8) Trading Across Borders
- 9) Enforcing Contracts
- 10) Resolving insolvency.

The reports from the World Bank EoDB index had become integral to the extent that some countries have used the EoDB Index as a key performance indicator. This research would add to the vast research done on the topic of EoDB on FDI, however due to availability of data for the indicators Trading Across Borders and Dealing wit Construction Permits which are not available for all countries during throughout the time period of our study. This research would also include the Corruption Perception Index (CPI) to represent how perceived corruption may affect the decision to invest in a country, which the EoDB report does not include. We also include the GDP, GDP Growth Rate and Population as macroeconomic indicators which we feel greatly influences FDI inflows.

Literature Review

According to Blanchard & Johnson (2013), GDP is the sum of consumption, investment, government spending, inventory investment, and exports minus imports. According to Suparmoko & Sofilda (2017), GDP is the net result of all production activities carried out by all producers in a country from various economic sectors. From the various definitions above, it can be concluded that GDP is a proxy used in measuring national income which describes the number of goods and services produced in an economy in a certain period. National income is reflected in GDP as described in the previous section, which is the measurement of GDP through economic activities in sectors namely consumption, investment, government spending, exports, and imports

In the context of Foreign Direct Investment, there are a few theoretical foundations to describe it. The most popular FDI theory can be seen by Vernon in 1966 about production cycles (Denisia, 2010). Vernon has divided the stage of production cycles, such as: (i). Innovation; (ii). Growth; (iii). Maturity; and (iv). Declines. In the first stage, manufacturers start using new technology and create a product, then promote it to the market. Then (second stage), this situation will reveal a new competitor that imitates the processes of that products and force a home manufacturer to export their part or make new manufacturing in other countries. It can be concluded that it can be related to and described as a Foreign Direct Investment. When the firms decide to invest abroad, it would be facing a barrier, such as infrastructure problems, financing problems, and institutional problems (skilled labor, theft, disorder, crime, and so on) that can discourage FDI (Kinda, 2010). Another theory that tries to explain FDI would be The Theory of Exchange Rates on Imperfect Capital Markets. Itagaki (1981) and Cushman (1985) analyzed FDI by factoring in uncertainty. From the results of the study, Cushman concluded that the appreciation of the dollar has led to U.S FDI to reduce by 25%.

Internalization Theory is another theory that tried to explain FDI. Based on Buckley & Casson (1976) studied the growth of transnational corporations and the driving force of foreign direct investment. Hymer (1976) identified that the two main factors that induced FDIs are removal of competition and firms' comparative advantage. According to Buckley and Casson, firms would base their internal strategies and activities to develop advantages over competitors. Hence Hymer believed that FDI occurs if the ability to take advantage of the firms' position outweighs the cost of operations abroad, therefore recognizing that the decision to conduct FDI is a firm-level decision and not affected by capital market. Lastly, the Eclectic Paradigm of Dunning combines different theories to explain FDI decisions using the (O-L-I) model where O stands for ownership advantages which are possessions or property of the company which can be transferred to either increase income or lower cost due to having specific advantages which lead to higher profit margins or lower marginal cost as stated by Dunning in 1973, 1980, and 1988 (Denisia, 2010). The L stands for Location advantage which incorporates economic benefits such as market size, factors of production, transportation cost, etc. Political Advantage of the location refers to the government policies specific to FDI and Social Advantage of the location such as the cultural diversity, openness to "aliens" and proximity to home country. The I in the O-L-I stand for Internalization which indicates that if the first two conditions are met then, in collaboration with other factors, would be profitable for the firm. The eclectic E-L-I paradigm suggests that firms would want to engage in foreign production if the cross-border market Internalization has more benefits for the firm.

Lu, Ngoc et al 2017 investigated the relationship between FDI and economic growth, The results of the model indicated that there exists a positive simultaneous relationship between economic growth and foreign direct investments. This demonstrates that opening up to foreign investments would lead to an increase in growth. Growth in the host country, would further increase the attractiveness of the country to investors, this cycle is proved by the two variables, growth, and FDI being simultaneously related. Sharmiladevi (2017) noting that FDI inflows were important in the globalization process it provided an avenue for nations to develop and grow as it a way to overcome capital scarcity. The result of the study reflected that in the long-run, there exist a cointegrating relationship between FDI and growth, suggesting that an increase in either one, would also increase in the other. In current literature on the OLI paradigm, location advantage also encompasses regulatory and institutional aspects of the country. Differences in the business regulations would influence the decision of a firm in choosing the location to invest from a list of potential host countries. (Dunning & Lundan 2008). Other studies that investigate the relationship between regulatory framework and FDI were conducted by There are several studies conducted to explain the relationship between the quality of regulatory framework and attracting FDI. A recent study by Minh, C. H. (2019) analyzed the relationship between institutional quality and foreign direct investment inflows by studying the different states in Vietnam by using a regression model which sets the FDI as the dependent variable and institutional quality as the explanatory variable. The results of the study indicate that the difference in Institutional Quality between the provinces leads to differences in FDI Inflows in the province. This is also consistent with the findings from a study conducted on Kosovo by Bajrami, H., & Krasniqi, L. (2019) which concluded that Kosovo Government should keep the business environment

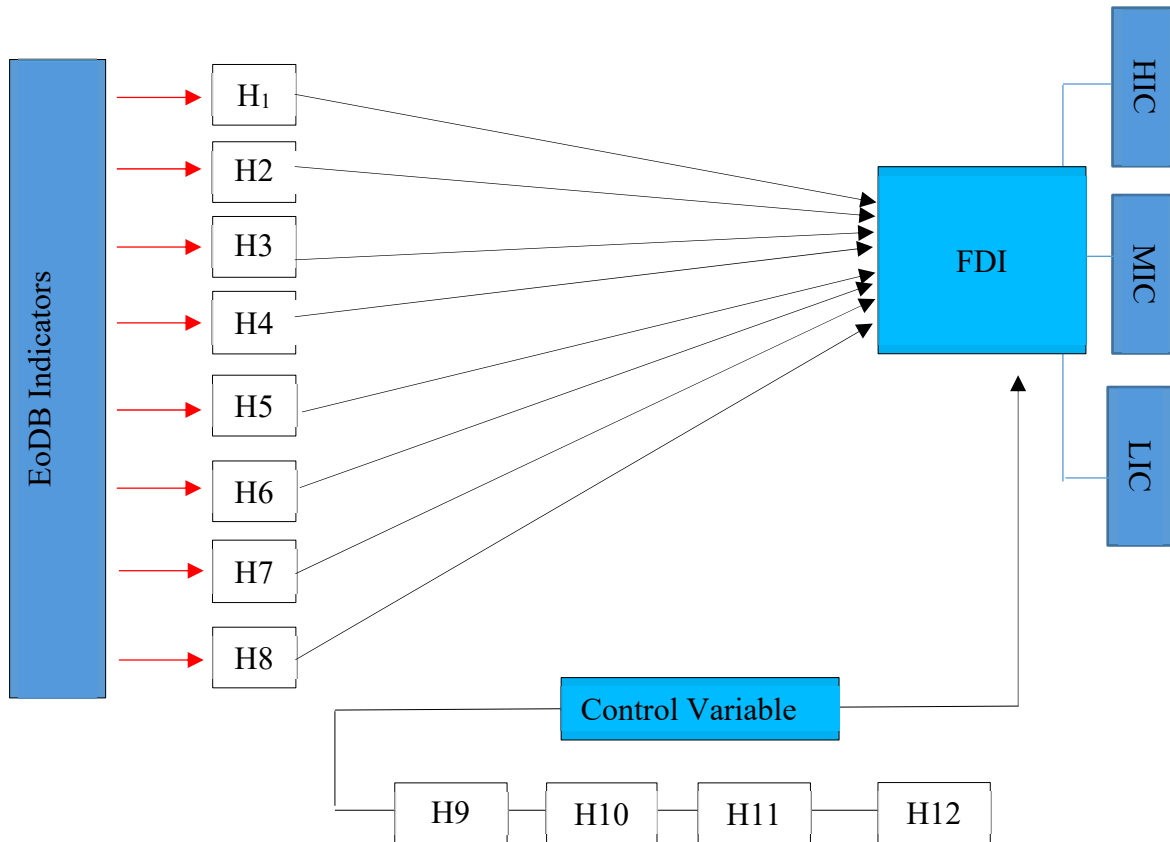
improvement process high on the agenda and that the institutional structure that deals with the coordination of reforms for ease of doing business should be a permanent mechanism to improve FDI inflows within the country.

For the macroeconomic (control) variables such as GDP growth, Population level, and Corruption Perception Index there are several studies that conclude there are significant relationship among them. Jadhav (2012) concludes that an economic factors are more significant than politic factors in BRICS (Brazil, Russia, India, China, & South Africa) economies. Furthermore, Reiter & Stensma (2010) and Kumari & Sarma (2017) show a significant between human capital to the FDI Inflow. In the context of Corruption, Wei (2000), Egger & Winner (2005), and Brada et al. (2019) produce a results in their study that the level of corruption has an impact to the FDI Inflows. So according to those studies, the hypothesized for control variables are:

- H9: GDP Has a significant effect on FDI
- H10: Real GDP Growth Rate Has a significant effect on FDI
- H11: Population Has a significant effect on FDI
- H12 :Corruption Perception Index Has a significant effect on FDI:

According to the previous study developed by Fung et al. (2002) about policy variable, GDP, and labor quality in the model; Also in Jayasuriya (2011), Bayraktar (2013), and Corcoran & Gillandes (2014); Hosain et al. (2018), Haliti et al. (2019) and Contractor et al. (2021) about Starting Business, Getting Credit, Enforcing Contract, Protecting Minority Investors Getting Electricity; Olival (2012) that include Registering Property; Alsan et al. (2006), Ang (2008), Shahadan et al. (2014) about Paying Taxes indicators on FDI; Nangpiire et al. (2018), Cauwenberge (2019) and Kumar, B., Chawla, N., & Patel, G. (2022) about Resolving Insolvency in his model of FDI; Jadhav (2012) about macroeconomic factors; Reiter & Stensma (2010) and Kumari & Sarma (2017) about human capital; Wei (2000), Egger & Winner (2005), and Brada et al. (2019) about corruption, here is the framework that can be developed in this study:

Figure 2. Research Framework



Source: Authors (2022)

According to the figure above, there are eight (8) independent variables that include in the model: Starting a Business, Getting Electricity, Registering Property, Getting Credit, Protecting Minority Investors, Paying Taxes, Enforcing Contracts, and Resolving Insolvency. Ideally, all the EODB indicators would have been used as variables for this research, but data for the Indicators Trading Across Border, Dealing with Construction Permit, and Labour Market Regulations were not available for all countries in the research and hence were omitted as variables. Furthermore, the macroeconomic indicators are decided to be Control Variables (GDP, GDP Growth, Population, and Corruption Perception Index). These variables are involved to identify its impact on FDI Inflow in High-Income Countries (HIC), Middle-Income Countries (Upper and Lower/MIC), and Low-Income Countries (LIC). The results of the analysis will be explored in the income group country basis (HIC, MIC, LIC, and General).

Research Methodology

For the purpose of this research, we will utilize the Panel Regression. Panel Data Regression are observations on individuals or cross-sectional over a certain time period (D M Gujarati 2022). Furthermore, according to Gujarati, By combining time series of cross-section observations, panel data give “more informative data, more variability, less collinearity among variables, more degrees of freedom and more efficiency”. These independent or explanatory variables make up the component of the ease of doing business index. The models that are build in this study adopted from Contractor et al. (2021) that include a several aspect/indicator of EoDB such as: Starting Business, Registering Property, Getting Credit, Protecting Minority Investors, Paying Taxes, Trading Across Border, Enforcing Contract, and Resolving Insolvency. The models are also include several control variables such as: gross domestic product growth, GDP per capita, gross capital formation, private credit to GDP ratio, real interest rate and exchange rate.

Moreover, the models build in that study are grouped into categories such as five regions: (i) East and South Asia & Pacific, (ii) Europe and Central Asia, (iii) Latin America, (iv) Middle East and North Africa, and (v) SubSaharan Africa. This research will have modified the variables in the model and grouping the countries based on their level of income.

Model 1: Overall Model (All Countries)

$$FDI_{it} = bSB_{it} + bGE_{it} + bRP_{it} + bGC_{it} + bPMI_{it} + bPT_{it} + bEC_{it} + b9RI_{it} + bGDP_{it} + b1GD_{it} + bPGR_{it} + bPOP_{it} + b14CPI_{it} + \mu_{it}$$

Model 2: (High Income Countries)

$$FDI_{it} = bSB_{it} + bGE_{it} + bRP_{it} + bGC_{it} + bPMI_{it} + bPT_{it} + bEC_{it} + b9RI_{it} + bGDP_{it} + b1GD_{it} + bPGR_{it} + bPOP_{it} + b14CPI_{it} + \mu_{it}$$

Model : 3 (Middle-High Income Countries)

$$FDI_{it} = bSB_{it} + bGE_{it} + bRP_{it} + bGC_{it} + bPMI_{it} + bPT_{it} + bEC_{it} + b9RI_{it} + bGDP_{it} + b1GD_{it} + bPGR_{it} + bPOP_{it} + b14CPI_{it} + \mu_{it}$$

Model 4: (Middle-Low Income Countries)

$$FDI_{it} = bSB_{it} + bGE_{it} + bRP_{it} + bGC_{it} + bPMI_{it} + bPT_{it} + bEC_{it} + b9RI_{it} + bGDP_{it} + b1GD_{it} + bPGR_{it} + bPOP_{it} + b14CPI_{it} + \mu_{it}$$

Model 5: (Low Income Countries)

$$FDI_{it} = bSB_{it} + bGE_{it} + bRP_{it} + bGC_{it} + bPMI_{it} + bPT_{it} + bEC_{it} + b9RI_{it} + bGDP_{it} + b1GD_{it} + bPGR_{it} + bPOP_{it} + b14CPI_{it} + \mu_{it}$$

Where:

FDI represents Foreign Direct Investment as percentage of GDP

bSB_{it} represents Starting Business

bGE_{it} refers to Getting Electricity

bRP_{it} refers to Registering Property

bGC_{it} refers to Getting Credit

bPMI_{it} refers to Protecting Minority Investors

bPT_{it} refer Paying Tax

bECit refers to Enforcing Contract

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b9RIit refers to Resolving Insolvency

The control variables used;

bGDPit Refers to Gross Domestic Product

bGDPIGRit Refers to Gross Domestic Product Growth Rate

bPOPit Refers to Population

bCPIit refers to Corruption perception Index

μ it Refers to the error term over years.

i= country

t=1,2,3,4,5

The data to be collected would be to study from the period 2016 up to the year 2020, for the Business Ratings and thus it would give us the most recent figures allowing for more relevant research. Data Collection would be secondary data readily available from the World Bank Database for all the variables except for the Corruption Perception Index (CPI) which we would retrieve from Transparency International Website. These two models that were considered to analyze the panel data for this research are the Common Effect Model and the Fixed Effect Model. Common Effect Model (CEM). In the Common Effect model, it is assumed that coefficients are constant through individuals and time. Meanwhile, at Fixed Effect Model (FEM), on the other hand, assumes constant slopes, but differences between individuals throughout time.

Chow Test

We would then need to perform a Chow test to determine whether the correct model to use is the Common Effect Model (CEM) or the Fixed Effect Model (FEM). If the H_0 of the Chow test is accepted our model used would be the CEM, however, if the Null hypothesis of the Chow test is rejected then a FEM would be used.

Hausman Test

Hausman test is a statistical test used to select whether the Fixed Effect or Random Effect model is the most appropriate to use. The hypothesis of the Hausman test is as follows:

H_0 : the model follows the Random Effect

H_a : the model follows the Fixed Effect

Determination of a good model following the Chi-Square statistic or Cross

Section Random by seeing whether the probability (p-value) is greater

or less than alpha (α) 0.05 or 5%. If p-value > (0.05), then H_0

accepted so that the model follows the Random Effect. If the p-value <

(0.05), then H_0 is rejected so that the model follows the Fixed Effect.

Upon the choice of the model, we are then to undergo several hypothesis testing:

Coefficient Determinant (Adjusted R²)

which is denoted by R^2 shows that the variation of the dependent variable in the study can be explained by the variation of the independent variable.

F- Test

The F test was conducted to test whether there is at least one independent variable that has a significant effect on the dependent variable.

T-Test

The t-statistical test aims to test whether the independent variables individually affect the dependent variable.

Result & Discussion

This section also shows the result of regression analysis to see the most significant variables in that model. Before showing the hypothesis test, it will show the result of the model selection test first. The following table will show the result of panel model selection

Table 1: Result of panel model selection

Test Type	Cross-Sections (Overall)	Prob(overall)	Cross-Sections(High)	Prob(High)	Cross-SectionsUpper Middle)	Prob(Upp-Middle(Cross-Sections (Low-Mid)	Prob (Low-Mid)	Cross-Sections (Low)	Prob (Low)	Conclusion
Chow Test	247.950035	0.002	81.23	0.0045	335.368	0.00	240.821	0.00	234.400	0.00	FEM
Hausman Test	31.847	0.0015	30.024	0.0028	59.203	0.00	59.66	0.00	28.6	0.0045	FEM

The processing results show that for the five models used (overall model, high income, upper middle income, lower middle income, and low income) the p-value of the chi-square cross section <0.05 , which means H_0 is rejected. The results of the Hausman test for the five models used are indicated by the p-value of the random cross section <0.05 , which means H_0 is rejected and H_a is accepted so that it can be concluded that the correct model is the Fixed Effect Model (FEM) for the five FDI models used. The result of the Goodness of Fit are as follows:

Model	R ²	Adjusted R ²
Overall	0.925451	0.905297
High Income	0.856676	0.810608
Upper Middle Income	0.967045	0.956353
Lower Middle Income	0.944751	0.926222
Low Income	0.950835	0.931926

Source: (Author 2022 Processed with Eviews)

Based on the explanation of the fit model for the 5 models used, it can be concluded that all models are good models to be used to predict FDI because they have an adjusted R2 value that is close to 1.

The F test was conducted to test whether there is at least one independent variable that has a significant effect on the dependent variable. The test results for the global test are shown in Table 4.5.

Table 4.5 F Test Results (Simultaneous Test)

Model	F- Value	p-value
Overall	45.91833	0.000000
High Income	18.59573	0.000000
Upper Middle Income	90.43960	0.000000
Lower Middle Income	50.98879	0.000000
Low Income	50.28362	0.000000

Source: (Author 2022 Processed with Eviews)

The results thus indicates for all the models used, it is proven that there will be at least one independent variable that has a significant effect on the dependent variable.

The result of the hypothesis testing following the selection of the model are as follows:

Table 4.6. T Test Results Model 1 (Partial Test)

Variable	Perdikis	Overall		High Income		Upper Middle Income		Lower Middle Income		Low Income	
		Coeff	p-value	Coeff	p-value	Coeff	p-value	Coeff	p-value	Coeff	p-value
SB	+	0.0052	0.1504	0.3326	0.0000*	-0.0062	0.3303	0.0040	0.1687	0.0009	0.0018*
GE	+	-0.0006	0.4599	-0.0362	0.2857	-0.0034	0.3258	-0.0032	0.3608	0.0001	0.4675
RP	+	0.0162	0.1068	0.3470	0.0032*	-0.0143	0.2134	0.0333	0.0698*	0.0150	0.0000*
GC	+	-0.0165	0.0001	-0.0053	0.4538	-0.0053	0.0599**	0.0007	0.3963	0.0014	0.0118*
PMI	+	0.0209	0.0015*	0.3578	0.0001*	-0.0260	0.0078*	-0.0172	0.0813*	0.0012	0.1869
PT	+	0.0383	0.0003**	0.4535	0.0006*	0.0036	0.3128	-0.0009	0.4230	-0.0062	0.0046*
EC	+	-0.1841	0.0000*	-0.5492	0.0041*	0.0345	0.2655	0.0551	0.0011*	-0.0074	0.2089
RI	+	0.0079	0.1354	-0.0672	0.3164	-0.0212	0.0521**	-0.0017	0.4115	-0.0049	0.0000
GDP	+	0.0026	0.1423	-0.0067	0.2547	0.0151	0.0000*	-0.0054	0.2244	-0.0279	0.0000
GDPGR	+	0.0227	0.0038*	0.1940	0.0000*	-0.0024	0.0453*	0.0335	0.0000*	0.0052	0.0003*
POP	+	0.1720	0.0245*	-0.5976	0.0003	-0.8992	0.0001*	0.0714	0.0972*	0.0120	0.0080*
CPI	+	0.1025	0.0000*	0.0261	0.3789	-0.0203	0.0689	0.0539	0.0000*	0.0057	0.0000*

Explanation : **= 10%, * = 5% (Source: Processed Data 2022)

Conclusion, Implication, & Recommendation

According to the result and discussion before, there are several conclusions that can be extracted: According to the result and discussion before, there are several conclusions that can be extracted:

1. In general (overall country), EoDB has a significant impact to the FDI Inflows. In specific, Protecting Minority Investors Paying Taxes are statistically significant positively in affecting FDI inflow. On the other hand, Getting Credit and Enforcing Contract has a statistically significant negative affect on FDI Inflows. Moreover, the other determinant factor that affecting FDI inflow for the all countries are GDP Growth, Population level, and Corruption Perception Index (CPI). These variables (Macroeconomic) have a positive impact and statistically significant towards FDI. It can be associated with Honduras, Madagascar, Kazakhstan, Nigera, Lithuania, and Rwanda (lower middle or low income countries) because minority investor are less involved as a company shareholder and often suffering a conflict of interest. So, that in the transition economies (upper middle income countries). PMI has a negative effect on FDI. Furthermore, in the highly stabilize country (High Income) the effort to reach better PMI is fairly supported by the institutional quality. For the paying taxes, the in general, the tax system reform give more easiness for investor to pay the taxes. So, the more simplified the administration, the more tax will be paid. Overall Getting Credit has a negative effect on FDI, maybe because due to increase in Money Supply may cause inflation in host countries

making it less desirable for investments. Enforcing Contract is also overall negatively significant indicating that perhaps a too rigid legal system is detrimental to attractiveness of FDI inflows to a country. Furthermore, the macroeconomic variables are also statistically significant for FDI inflows (GDP Growth, Population level, and CPI).

2. For High Income Countries, EoDB is also have significant impact towards FDI Inflow. Starting Business, Receiving Property, Protecting Minority Investors and Paying Taxes) are statistically significant in positively affecting FDI inflow. While the EoDB indicator (Enforcing Contract) has a significant negative affect on FDI Inflows, Moreover, the other determinant factor that affecting FDI inflow for the High Income Countries are only affected by GDP Growth. Starting Business play a significant role in affecting FDI Inflows, especially for High Income Countries. It can be viewed that High Income Countries supposed to have a good administration processes, institutional quality, and regulation (more competitive) so that it can attract more FDI compared to the transition economies. In some cases, for example in Hong Kong which has reformed their post-registration procedures (eliminated the requirement for a new companies to open a bank account in order to register for VAT). So the flexibility to adjust the regulations are the key for attracting FDI, especially in High Income Countries. The other determinant is GDP Growth that can affect FDI in High Income Countries. One of the considerations why investor concern about this because mostly in the developed countries have been reaching a full employment condition and it can affect the growth of GDP that is relatively lower compared to the developing countries.
3. For Upper Middle Income Countries, EoDB has also significant impact on FDI Inflows. Protecting Minority Investors and Getting credit are significant in affecting FDI inflows, but have a negative effect on FDI. It is because despite trying to give its contributions, the transition economies tend to can't achieve the goals because often disturbed by their institution quality. So it can affects those countries to achieve a good institutions and works in independent way. Furthermore, as mentioned before Getting Credit affects negatively FDI inflows as it may cause future inflations which would affect the purchasing power of the host country and hence make the market for products less attractive. For GDP, as mentioned before, the upper middle (developing) countries have relatively higher or attractive GDP because they have no reach a full employment condition. In other words, there are many potentials can be exploded in transition economies, especially for the countries which have a great resources (such as infrastructure, human capital, natural resources, and so on).
4. For the Lower Middle Income Countries, EoDB has also a significant impact to the FDI Inflows. Registering Properties and Enforcing Contract are significant in affecting FDI inflows positively whereas Protecting Minority Investors affect negatively the FDI inflows . In the lower middle income countries such as Lithuania, Estonia, Slovakia, and so on have a shorter procedures. It implies, the shorter procedures are taken, the cost will also reduce. So if the lower middle income countries strive to make Registering Properties better, it can attract more FDI Inflows. It has the same implications for Enforcing Contract. However, similar to Upper-Middle Income Countries result Protecting Minority Investors negatively affects FDI inflows which indicates that there needs to be some institutional reforms in these transitional countries. Moreover, the other determinant factor that affecting FDI inflow for the Lower Middle Income Countries are affected by GDP Growth, Population level, and Corruption Perception Index (CPI). More good in performance of GDP, higher population level (availability of Human Capital), and less corrupt countries will induce more FDI Inflow.
5. For the Low Income Countries, EoDB also has a significant impact for the FDI Inflows. Only Starting Business, Registering Properties, and Getting Credit that are significant in positively affecting FDI inflows. Conversely, Paying Taxes and resolving Insolvency negatively affects FDI significantly. It can be seen from North Macedonia which has a simple procedures (one day) for starting the business, so it can reduces the cost for investors. According to the Lower Middle Income (developing) countries which have a shorter registration procedures it also the same with low income countries. One of the considerations is more less developed countries commonly have a small competitive advantages to the other prosper countries. So there are no options for such a countries in attract more FDI Inflow unless they reform their regulation for registering or administrations processes. For Getting Credit Indicator, the example can be learned from Ghana that suffers a high inflation and it can be associated with the concept of money supply. So the more money are supplied into the circulation, the more easy to get funds (credit), even by the lower interest rate or easiness of the administration processes. Moreover, the other determinant factor that affecting FDI inflow for the Low Income Countries are also affected by GDP Growth, Population level, and Corruption Perception Index (CPI).

Implications

According to the conclusions that are mentioned before, there are several implications for theoretical and practical:

1. Theoretical Implications

a. EoDB has a significant impact in attracting FDI Inflow to the High Income Countries, Upper Middle Income Countries, Lower Middle Income Countries, and Low Income Countries. However, each group has a different indicators of EoDB.

b. In High Income Countries, only Starting Business, Receiving Property, Protecting Minority Investors, and Paying Taxes which have a significant impact for FDI Inflows. It implies that the regulations and administration processes for each indicator supposed to be concerned as a crucial factor of EoDB.

c. In Upper Middle Income Countries, only Protecting Minority Investors which have a significant impact for FDI Inflows. The institutional quality is the one of the crucial factor to achieve that goals. Furthermore, there are institutional quality difference between High Income Countries and Transitions (Middle Income) countries.

d. In Lower Middle Income Countries, only Registering Properties and Enforcing Contract which have a significant positive impact for FDI Inflows. It can be associated with the regulation and administration processes that will affect investment cost for the investors.

e. In Low Income Countries, only Starting Business, Registering Properties and Getting Credit which have a significant positive impact for FDI Inflows. It can be associated with the regulation and administration processes that will affect investment cost for the investors and also the amount of money are supplied.

f. The macroeconomic variables are affecting all of the countries where GDP is related to the productivity level and the readiness of resources such as infrastructure, skills, and so on. For the Population level, it can also affect the perception about the availability of worker but the skills should be concerned. Corruption Perception Index is also significant in attracting FDI Inflows because the risk faced by investors to invest its capital in high corrupted countries.

2. Practical Implications

a. EoDB has a significant impact in attracting FDI Inflow to the High Income Countries, Upper Middle Income Countries, Lower Middle Income Countries, and Low Income Countries. So the government should continuously concerned about the regulations that affects EoDB.

b. In High Income Countries, only Starting Business, Registering Property, Protecting Minority Investors, and Paying Taxes which have a significant impact for FDI Inflows. It implies that the government in High Income Countries should continuously concerned in a regulations and administration processes to keep its competitiveness.

c. In Upper Middle Income Countries, only Protecting Minority Investors which have a significant impact for FDI Inflows. The difference between High Income Countries and Transitions (Middle Income) countries about institutional quality should be concerned by the government.

d. In Lower Middle Income Countries, only Registering Properties and Enforcing Contract which have a significant impact for FDI Inflows. The government should also focused on institutional quality and administration processes.

e. In Low Income Countries, only Starting Business, Registering Properties and Getting Credit which have a significant impact for FDI Inflows. It can be associated with the regulation and administration processes that will affect investment cost for the investors and also the amount of money supplied. Therefore, the government should concern in the enhancing incomes level and also build a more good institutional quality for the flexibility goals.

f. The macroeconomic variables are affecting all of the countries where GDP is related to the productivity level and the readiness of resources such as infrastructure, skills, and so on. For the Population level, it can also affect the perception about the availability of worker but the skills should be concerned. Corruption Perception Index is also significant in attracting FDI Inflows because the risk faced by investors

to invest its capital in high corrupted countries. The government should concern in enhancing the GDP or output educating the peoples to the certain levels, and still eradicate the corruption, especially for the transition economies.

Recommendations

According to the conclusions and implications mentioned before, this study recommends the government to:

1. Increase their institutional quality, especially for transition economies in order to have more competitive value globally.
2. Enhance the macroeconomic variables, such as GDP, education, research, technology, infrastructures, and eradicate the corruption activity
3. Reform their administration procedures through cutting out complex, unnecessary steps.
4. Introducing legislative changes in respect to corporate governance to strengthen protection of minority shareholders especially in the Upper-Middle- and High-Income Countries.
5. Developing a proper and effective tax system by simplifying the tax system by making the tax system easier to understand and implementing technology, such as adopting e-filing to ensure ease of filing taxes ensuring compliance

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