

**PUBLIC PERCEPTION TOWARDS FACTOR AFFECTING
FOREIGN DIRECT INVESTMENT IN NEPAL**

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fulfillment of requirement for the Master's Degree

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Public Perception Towards Factor Affecting Foreign Direct Investment in Nepal**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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ABBREVIATIONS

ANOVA	:	Analysis of Variances
BMA	:	Bayesian Model Averaging
FAP	:	FDI Attraction Policies
FDI	:	Foreign Direct Investment
FY	:	Financial Year
HMC	:	Human Capital
IFR	:	Infrastructure
IMF	:	International Monetary Fund
LAD	:	Locational Advantages
LIS	:	Living Standards
MNC	:	Multinational Corporation
N	:	Number of Responses
OECD	:	Organisation for Economic Co-operation and Development
OLS	:	Ordinary Least Square
PFI	:	Public Perception on Foreign Direct Investment
PUS	:	Public Services
SPSS	:	Statistical Package for Social Science
VIF	:	Variance Inflation Factor

ABSTRACT

The primary objective has been to assess public perception of factors such as infrastructure, policies, human capital, locational advantages, living standards, and public services, and to analyze their relationships and impacts on FDI intentions in Nepal. The study has employed both descriptive and causal-comparative research designs to address its objectives. The population includes investors, entrepreneurs, and public officials knowledgeable about FDI, with a sample size of 400 selected using purposive sampling. Data collection has utilized a quantitative approach through structured questionnaires based on previous research and expert consultations, using a five-point Likert scale to capture perceptions and demographic information. Statistical tools such as descriptive statistics, correlation analysis, and multivariate regression models have been employed using Microsoft Excel and SPSS. The findings indicate that living standards and locational advantages are the most significant determinants of FDI perceptions, with living standards having the highest correlation (0.628) and a strong positive impact (beta coefficient of 0.463). Locational advantages also show a strong positive correlation (0.534) and significant impact (beta coefficient of 0.232). Conversely, infrastructure, human capital, and public services exhibit minimal to weak impacts on FDI perceptions. The study underscores the practical need to focus on improving living standards and locational advantages to enhance FDI perceptions, while the impact of infrastructure and public services is less significant. Theoretical implications suggest a need to re-evaluate the roles of infrastructure and public services in FDI attraction.

Keywords: Foreign Direct Investment, Infrastructure, Living Standards, Locational Advantages, Public Services

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Foreign Direct Investment (FDI) serves as a crucial driver of economic growth and development globally, offering opportunities for industrial expansion, job creation, and technological advancement. Foreign Direct Investment (FDI) refers to investments made by foreign entities in enterprises located in another country, with the intent of establishing a lasting interest and control over said enterprises (Türkcan & Yetkiner, 2008). Unlike portfolio investments, which entail passive ownership of financial assets, FDI involves active participation in decision-making and production processes (Eryigit & Shafaq, 2021). FDI can manifest in various forms, including mergers and acquisitions, joint ventures, and greenfield investments, each with distinct implications for both the investing and recipient countries.

The decision to engage in FDI is driven by a multitude of factors, ranging from economic considerations to strategic objectives. While economic motives, such as profit maximization and market expansion, are predominant, political and strategic interests also influence investment decisions (Eryigit & Shafaq, 2021). Multinational enterprises, equipped with capital, technology, and managerial expertise, often seek FDI opportunities to penetrate new markets, capitalize on comparative advantages, and diversify risks. Additionally, governments may incentivize FDI through favorable policies and investment climates, aiming to spur economic growth and development.

Foreign direct investments can take various forms, including greenfield investments, acquisitions, and joint ventures, each characterized by different levels of control and risk. Greenfield investments involve establishing new operations in a foreign country, enabling investors to customize facilities and operations to suit local conditions (Dritsaki & Stiakakis, 2014). Acquisitions entail purchasing existing enterprises, allowing investors to quickly gain market share and access established customer bases. Joint ventures combine resources and expertise from multiple partners, facilitating risk-sharing and knowledge transfer (Baek & Okawa, 2001). The choice of investment modality depends on factors such as market conditions, regulatory environment, and strategic objectives.

Baek and Okawa (2001) asserted foreign direct investment plays a crucial role in supporting economic development in Nepal, providing much-needed capital, expertise, and technology

to stimulate growth. The country's rich cultural heritage, natural beauty, and strategic location offer immense potential for tourism and infrastructure development. However, realizing this potential necessitates substantial investments in transportation, energy, and hospitality infrastructure. Moreover, fostering an enabling environment for FDI requires addressing governance issues, enhancing transparency, and strengthening institutional capacity.

Nepal presents a unique case for examining the determinants of FDI inflows. Despite its strategic location and abundant natural resources, Nepal faces significant challenges, including political instability, regulatory constraints, and infrastructure deficits. The country's economic policy emphasizes the importance of foreign investments in driving private sector growth and fostering economic development (Kharel, 2020). However, attracting FDI to Nepal requires addressing key barriers such as bureaucratic inefficiencies, corruption, and inadequate infrastructure.

Despite its potential, Nepal faces numerous challenges in attracting and retaining foreign investment. Political instability, frequent changes in government, and regulatory uncertainties undermine investor confidence and deter long-term commitments (Kharel, 2020). Moreover, inadequate infrastructure, including transportation networks and energy supply, hampers business operations and increases costs for investors. However, Nepal also presents opportunities for strategic investors willing to navigate these challenges, including untapped markets, natural resource reserves, and a young and educated workforce.

Foreign Direct Investment holds immense potential for driving economic development and industrial growth in Nepal. However, realizing this potential requires concerted efforts to address underlying challenges and create an enabling environment for investment. By implementing reforms to improve governance, streamline regulations, and invest in critical infrastructure, Nepal can attract greater FDI inflows and harness the benefits of international capital and expertise (Dangal, 2015). As the country pursues its path towards prosperity, FDI remains a vital catalyst for sustainable development and inclusive growth.

1.1.1 Situation of FDI in Nepal

Foreign Direct Investment (FDI) in Nepal has been an essential driver for the country's economic growth and development. Over the years, Nepal has witnessed fluctuating levels of FDI approval and actual inflows, reflecting both the challenges and opportunities present in its investment environment.

Table 1
FDI Investment in Nepal

FY	Approved FDI (Rs. million)	Actual Net FDI Inflow (Rs. million)	Actual Net FDI Inflow as a Percentage of Approved FDI (%)
1995/96	2,219.90	388.00	17.50
1996/97	2,395.50	1621.00	67.70
1997/98	2,000.30	685.00	34.20
1998/99	1,666.40	578.00	34.70
1999/00	1,417.60	233.00	16.40
2000/01	3,002.60	-33.00	-1.10
2001/02	1,209.70	-282.30	-23.30
2002/03	1,793.80	961.40	53.60
2003/04	2,764.80	-	-
2004/05	1,635.80	136.00	8.30
2005/06	2,606.30	-469.70	-18.00
2006/07	3,186.00	362.30	11.40
2007/08	9,812.60	293.90	3.00
2008/09	6,255.10	1829.20	29.20
2009/10	9,100.00	2852.00	31.30
2010/11	10,053.20	6437.10	64.00
2011/12	7,138.30	9195.40	128.80
2012/13	19,818.70	9081.90	45.80
2013/14	20,132.40	3194.60	15.90
2014/15	67,455.00	4382.60	6.50
2015/16	15,254.30	5920.90	38.80
2016/17	15,206.50	13503.90	88.80
2017/18	55,760.50	17504.60	31.40
2018/19	25,484.40	13065.20	51.30
2019/20	37,805.80	19478.70	51.50
2020/21	32,172.80	19512.70	60.60
2021/22	54,158.90	18560.30	34.30
2022/23	30,699.40	5961.30	19.40
Total	442,206.70	154954.00	35.00

Source: Appendix VI

Table 1 presents the situation of FDI investment in Nepal from FY 1995/96 to FY 2022/23. The approved FDI amounts have varied significantly, from Rs. 2,219.9 million in 1995/96 to a peak of Rs. 67,455.0 million in 2014/15. However, the actual net FDI inflow has not always matched these approvals. For example, in 2021/22, despite an approved FDI of Rs. 54,158.9 million, the actual net inflow was Rs. 18,560.3 million, highlighting a significant gap between the intended and realized investments. This disparity suggests that while Nepal

may be an attractive destination for foreign investors, multiple factors—such as political instability, bureaucratic hurdles, and infrastructure deficits—have hindered the full realization of approved investments.

Historically, Nepal's FDI inflows have been inconsistent, with several years showing negative inflows. For instance, in 2000/01 and 2001/02, the country recorded negative actual net FDI inflows of Rs. -33.0 million and Rs. -282.3 million, respectively. These negative figures point to a withdrawal of investments during those periods, possibly due to unfavorable economic and political conditions. However, more recent years, such as 2010/11 and 2011/12, have seen significant improvements, with actual net inflows reaching Rs. 6,437.1 million and Rs. 9,195.4 million, respectively. This upward trend in certain years indicates that while challenges persist, there are periods of strong investor confidence in the country's economic potential.

Despite improvements in FDI inflows in recent years, the gap between approved and actual FDI remains a concern. On average, the actual net FDI inflow as a percentage of approved FDI has stood at around 35% over the period from 1995/96 to 2022/23. This suggests that more efforts are needed to improve the investment climate in Nepal, including better infrastructure, stable policies, and streamlined approval processes to attract and retain foreign investors. If these issues are addressed, Nepal could see more substantial and consistent FDI inflows, which would significantly contribute to the country's economic development.

This study aims to explore the public perception regarding the factors influencing Foreign Direct Investment (FDI) in Nepal, with a specific focus on infrastructure, policies, human capital, locational advantages, living standards, and public services. By investigating the attitudes and intentions of the public towards these factors, the research seeks to shed light on the key determinants shaping the attractiveness of Nepal as an investment destination. Understanding how these factors are perceived by the public can provide valuable insights for policymakers and stakeholders in formulating strategies to enhance Nepal's appeal to foreign investors and stimulate FDI inflows.

1.2 Problem Statement

The problem statement highlights the paradoxical situation Nepal faces as a potentially attractive destination for foreign investors yet struggles to attract significant Foreign Direct Investment (FDI) (Pyakurel, 2018). Situated between the two economic powerhouses of

India and China, Nepal enjoys free access to the Indian market and relatively low import tariffs. Additionally, the country boasts abundant natural resources and has liberalized its FDI policy since 1992, creating a conducive environment for foreign investment. However, despite these favorable conditions, Nepal has not been able to fully exploit its potential to attract foreign investors, leading to a decline in FDI inflows over time (Dangal, 2015).

One of the primary reasons behind Nepal's inability to attract foreign investors is the presence of various internal weaknesses and external challenges (Sharma, 2024). Geographical constraints, including being landlocked, pose logistical challenges and increase transaction costs for investors. Weaknesses in the financial sector, governance issues, and an unstable political situation further exacerbate the investment climate (Athukorala & Sharma, 2006). The lack of rule of law, governance instability, and bureaucratic inefficiencies contribute to an environment of uncertainty and risk, deterring foreign investors from committing to long-term investments in Nepal.

Moreover, frequent political movements and disruptions, as well as power blackouts, add to the challenges faced by foreign investors (Pyakurel, 2018). The unpredictability and volatility resulting from political unrest create uncertainty regarding the security of investments and the continuity of development projects. In such a climate, potential investors may hesitate to commit capital to Nepal, preferring more stable and predictable investment destinations (Dangal, 2015). Addressing these internal weaknesses and external challenges is crucial for Nepal to unlock its potential and attract the foreign investment needed for sustainable economic growth and development. The research questions of this study are as follows.

1. What is the status of public perception regarding factors that affect foreign direct investment in Nepal?
2. Is there any relationship between infrastructure, policies, human capital, locational advantages, living standards, and public services, and foreign direct investment in Nepal?
3. What is the impact of infrastructure, policies, human capital, locational advantages, living standards, and public services on foreign direct investment in Nepal?

1.3 Objectives of the Study

The general objective of this study is to analyze the public perception towards factors affecting foreign direct investment in Nepal. The specific objectives of this study are as follows:

1. To assess the status of public perception regarding factors that affect foreign direct investment in Nepal.
2. To examine the relationship between infrastructure, policies, human capital, locational advantages, living standards, and public services, and foreign direct investment in Nepal.
3. To analyze the impact of infrastructure, policies, human capital, locational advantages, living standards, and public services on foreign direct investment in Nepal.

1.4 Rationale of the Study

The study on public perception towards factors affecting foreign direct investment (FDI) in Nepal holds significant rationale for various stakeholders, including the government, policymakers, commercial banks, researchers, students, and academicians.

Firstly, for the government of Nepal, understanding the public perception of factors influencing FDI is crucial for crafting effective policies and strategies to attract foreign investors. By gaining insights into public attitudes and concerns, policymakers can tailor their approaches to address key barriers and enhance the investment climate, ultimately fostering economic growth and development.

Secondly, policymakers rely on empirical evidence and research findings to make informed decisions. A study on public perception towards FDI factors provides valuable data and analysis, enabling policymakers to formulate evidence-based policies and initiatives aimed at improving the investment environment. By aligning policies with public sentiments, policymakers can increase public trust and support for their initiatives.

Thirdly, commercial banks play a pivotal role in facilitating foreign investment by providing financing and investment advisory services to investors. Understanding the factors that influence public perception towards FDI can help banks tailor their services to meet the needs and preferences of investors. By offering targeted financial products and services, banks can attract more foreign investment and contribute to economic growth.

Fourthly, researchers in the field of economics, finance, and international business can benefit from studying public perception towards FDI factors in Nepal. Such research can deepen our understanding of the dynamics of foreign investment and its impact on the economy. By conducting rigorous analysis and generating new insights, researchers can contribute to the academic literature and inform future policy debates.

Fifthly, students studying economics, business, and related fields can gain valuable knowledge and skills by exploring the topic of public perception towards FDI factors in Nepal. Engaging in research projects or coursework on this topic can help students develop critical thinking abilities, research methodologies, and analytical skills that are essential for future careers in academia, policymaking, or the private sector.

Lastly, academicians and educators can use the findings of studies on public perception towards FDI factors to enrich their teaching materials and curriculum. By incorporating real-world examples and case studies, educators can provide students with a deeper understanding of the complexities of foreign investment and its implications for Nepal's economy and society. Additionally, research findings can inspire further inquiry and stimulate academic discourse on this important topic.

1.5 Limitations of the Study

The limitation of the study are as follows.

- The study is based solely on primary data, which may be subject to respondent biases and inaccuracies, potentially affecting the reliability and generalizability of the findings.
- The sample size used in the study is limited, which may not fully represent the diverse perspectives of the entire population. This constraint can affect the study's ability to draw broad conclusions about public perception across Nepal.
- The study focuses on a limited set of variables, potentially overlooking other significant factors that could influence foreign direct investment in Nepal. This narrow focus may lead to an incomplete understanding of the issue.
- The research is restricted to a specific geographic and economic context within Nepal, which may limit the applicability of the findings to other regions or countries with different socio-economic conditions.

- The study employs only descriptive and causal-comparative research methods. This limitation in methodology restricts the depth of analysis and may not fully capture the complexity of factors affecting foreign direct investment. More sophisticated analytical techniques could provide deeper insights.

CHAPTER II

LITERATURE REVIEW

The literature review of a study provides a comprehensive examination of existing research and theoretical frameworks relevant to the study's topic. It encompasses the review of related concepts, terminology, and previous articles, journals, and theories. The literature review serves to contextualize the study within the existing body of knowledge, identifying key concepts and theoretical underpinnings while highlighting gaps in the current research. This critical analysis helps to establish a foundation for the study and justify its significance by pinpointing areas where further investigation is needed.

2.2 Conceptual Review

2.1.1 Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is a critical driver of global economic integration and development. According to the definitions provided by the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD), as referenced in Banco (2003), FDI represents an investment where a resident entity in one economy (the direct investor) acquires a lasting interest in an enterprise located in another economy (the direct investment enterprise). The concept of "lasting interest" is fundamental, as it implies a long-term relationship between the investor and the enterprise, characterized by a significant degree of influence over the management and operations of the enterprise. This relationship is not limited to the initial investment but encompasses all subsequent capital transactions between the investor and the enterprise, including those involving affiliated enterprises, whether incorporated or unincorporated.

The OECD (2000) further elaborates on this definition, emphasizing that FDI involves a long-term relationship and sustained interest and control by a resident entity in one economy over an enterprise in another economy. This enduring interest is crucial because it distinguishes FDI from other types of investments, such as portfolio investments, where the investor's influence is minimal and typically short-term (Missama, 2010). In essence, FDI is not merely about capital movement but involves a comprehensive transfer of resources, including technology, management expertise, and market access, thereby facilitating deeper economic integration between the investing and host countries.

Moreover, FDI can be seen as a strategic move by firms seeking to capitalize on ownership advantages over local competitors in foreign markets. This ownership advantage can stem from various sources, such as advanced technology, superior management skills, established brand names, and extensive marketing networks. When a firm possesses these advantages, it is more likely to undertake FDI by creating subsidiaries in foreign markets to produce and provide goods and services locally (Missama, 2010). This strategy allows the firm to leverage its unique strengths to gain a competitive edge in the host country, thus enhancing its global presence and market share.

Makola (2003) provides additional insights into the nature and implications of FDI. He notes that FDI is a primary means through which private capital is transferred internationally, encompassing both physical and financial capital. Beyond mere financial investment, FDI includes the transfer of technology, personnel, and access to brand names and marketing advantages. This multifaceted transfer is significant because it contributes to the overall development of the host country's economy by introducing new technologies, enhancing managerial skills, and increasing market competitiveness. Furthermore, the presence of foreign firms can stimulate local industries through various linkages and spillover effects, ultimately fostering economic growth and development.

Foreign Direct Investment (FDI) is a complex and multifaceted form of international investment that involves a long-term relationship and substantial influence by a resident entity of one economy over an enterprise in another economy (Missama, 2010). It is driven by the strategic objective of leveraging ownership advantages to compete effectively in foreign markets. FDI not only facilitates the movement of capital but also brings about significant transfers of technology, managerial expertise, and market access. As such, FDI plays a crucial role in global economic integration, driving development and growth in both the investing and host countries (Missama, 2010). Understanding the nuances of FDI is essential for policymakers and businesses alike, as it provides insights into how to attract and manage such investments to maximize their positive impact on the economy.

2.1.2 Characteristics of Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is distinguished by several key characteristics, as outlined by Davidson (1980), which underscore its unique nature as an investment that transcends national boundaries.

Firstly, FDI involves equity capital, wherein the foreign direct investor acquires shares in an enterprise located in a country other than its own. Unlike portfolio investments, where investors typically purchase shares for financial gain without seeking significant influence over the company's operations, FDI entails a strategic acquisition of ownership stakes. This equity ownership grants the investor a degree of control and influence over the management and strategic direction of the foreign enterprise, reflecting a long-term commitment to the investment (Missama, 2010).

Secondly, reinvested earnings constitute a fundamental aspect of FDI. This refers to the portion of profits earned by the foreign affiliate that are not distributed as dividends but instead reinvested back into the enterprise. Reinvested earnings represent a form of internal capital accumulation, enabling the foreign affiliate to finance its expansion, research and development initiatives, or other strategic endeavors (Missama, 2010). By retaining earnings within the enterprise, the investor demonstrates a commitment to the long-term growth and sustainability of the investment.

Lastly, intra-company loans or intra-company debt transactions are integral to FDI. These transactions involve the borrowing and lending of funds between the direct investor and its affiliate enterprises. Such financial arrangements facilitate the efficient allocation of capital within multinational corporations, allowing for the transfer of funds to support operational needs, capital expenditures, or strategic investments across borders (Missama, 2010). Intra-company loans can be short- or long-term in nature, providing flexibility in managing liquidity and financing requirements within the corporate structure.

FDI exhibits distinct characteristics that set it apart from other forms of investment. It involves the acquisition of equity capital, reinvestment of earnings, and intra-company financial transactions, reflecting a strategic and long-term commitment by the investor to the foreign enterprise. Understanding these characteristics is essential for policymakers and businesses seeking to harness the benefits of FDI and promote sustainable economic development and growth (Liu et al., 1997).

2.1.3 Foreign Direct Investment in Nepal

Foreign Direct Investment (FDI) stands as a crucial catalyst for economic growth and development, particularly in countries abundant with natural resources yet deficient in finance, technology, and competitive management. Developing nations, such as Nepal, with rich natural beauty and favorable climates, often struggle to attract FDI despite

possessing immense potential for economic expansion (Pyakurel, 2018). FDI, as defined, refers to investments made by foreign entrepreneurs and institutions in a country, facilitating the transfer of technology, skills, and management practices to recipient economies. The theoretical study of FDI encompasses both perfect and imperfect market theories, each shedding light on the dynamics and motivations underlying FDI flows (Pyakurel, 2018).

The benefits of FDI extend beyond mere capital infusion; they include the introduction of new technology, knowledge, skills, and management practices to the recipient economy. According to Investment across Borders Reports by the World Bank, FDI has played a significant role in job creation, technology transfer, fostering competition, and enhancing the fiscal standing of many economies. Multinational corporations and their foreign affiliates have formed a global network, contributing to economic growth and development worldwide (Pyakurel, 2018). However, despite the recognized benefits, barriers to global FDI integration persist, necessitating ongoing efforts to reduce or eliminate obstacles through multilateral trade negotiations, regional agreements, and investment accords.

Pyakurel (2018) stated that in Nepal, where FDI has not been widely practiced, its potential role in fostering national economic growth cannot be overstated. The country's political stability, coupled with its untapped natural resources, presents a favorable environment for attracting foreign investment. The government recognizes the importance of FDI in driving infrastructural development, industrialization, and economic growth. However, attracting foreign investors remains a challenge, as various factors hinder the inflow of FDI, including political instability, labor unrest, and inadequate infrastructure. Despite these challenges, Nepal's prudent monetary, fiscal, and trade policies have laid the groundwork for a dynamic and competitive economy capable of attracting foreign investment in the future (Pyakurel, 2018).

The government of Nepal has made attracting FDI a top priority, adopting various policies and initiatives to create an investment-friendly environment. Efforts to mobilize foreign investment have intensified since the Ninth Plan, with a focus on sectors with comparative advantages. Despite a peak in FDI inflows during the mid-1990s, political unrest, including the Maoist insurgency, led to a decline in foreign investment. However, with the resolution of political conflicts and the establishment of a peaceful environment, Nepal is once again poised to attract FDI (Pyakurel, 2018).

Nepal's FDI projects span various sectors, including manufacturing, hydropower, mineral exploitation, construction, agro-based industries, and tourism. The country has witnessed significant investment from countries like India, the USA, Norway, Japan, and others, with manufacturing industries attracting the majority of FDI (Pyakurel, 2018). Factors such as low labor costs and favorable investment policies have contributed to Nepal's attractiveness as an investment destination. Globally renowned companies like British American Tobacco (BAT), Unilever, and Coca-Cola have established a presence in Nepal, further enhancing its appeal to foreign investors.

FDI holds immense potential for driving economic growth and development in Nepal and other developing countries. While challenges remain, including political instability and inadequate infrastructure, the government's commitment to attracting foreign investment and implementing investor-friendly policies bodes well for Nepal's future (Pyakurel, 2018). With a peaceful environment, abundant natural resources, and a growing emphasis on industrialization, Nepal is poised to attract a significant influx of FDI in the coming years, contributing to its socio-economic progress and prosperity.

2.2 Theoretical Review

2.2.1 Capital Market Theory

The Capital Market Theory posits that Foreign Direct Investment (FDI) is primarily influenced by interest rates and the strength of the host country's currency, which drive firms' decisions to expand abroad (Bakar, 2022). Aliber (2013) suggests that corporations are more inclined to venture into international markets when their home country's currency is strong, while those situated in countries with weaker currencies are less likely to engage in global expansion (Faeth, 2009). Additionally, greater currency volatility in host countries incentivizes international corporations to secure funds at lower interest rates compared to domestic firms.

Boddewyn (1985) outlines three key scenarios motivating corporations to extend their operations internationally within the framework of the Capital Market Theory. Firstly, a lower exchange rate in the host country leads to reduced production costs, making international expansion financially appealing. Secondly, the absence of organized securities markets in less developed nations favors FDI over stock purchases. Finally, due to the lack of information and transparency in securities markets of these less developed countries, corporations prefer FDI as it allows them greater control over host country assets

(Hennart, 2015). In essence, the Capital Market Theory provides a comprehensive understanding of the factors driving firms to invest overseas, emphasizing the role of interest rates, currency strength, and market conditions in shaping international investment decisions.

2.2.2 Product Life Cycle Theory

Raymond Vernon's Product Life Cycle Theory offers insights into why U.S. manufacturers transition from exporting to engaging in Foreign Direct Investment (FDI). The theory delineates four distinct stages in the production cycle: innovation, growth, maturity, and decline (Vernon, 1992). Products are categorized into three groups based on their position in the product life cycle and their performance in the global trade market: new products, maturing products, and standardized products.

According to Vernon (1992), location selection for manufacturing facilities is intricately linked to both the product life cycle and location characteristics. Market requirements, communication infrastructure, external economies, and manufacturing flexibility are among the critical factors influencing the choice of location. For new products, emerging markets with growing demand and supportive infrastructure are preferred to facilitate market formation and development.

In contrast, mature products, which are characterized by stable demand and large-scale sales, often require inputs from diverse sources. This necessitates sourcing parts and labor from various locations, potentially involving outsourcing of manufacturing tasks like part production, assembly, and distribution. The decision on location is influenced by factors such as cost-effectiveness and logistical efficiency to ensure the smooth operation of production processes (Vernon, 1979; Vernon, 1992).

For standardized products, cost considerations play a pivotal role in determining the location of manufacturing facilities. As market extension and penetration become paramount, optimizing production costs for components and assembly processes becomes crucial. Manufacturers seek locations with competitive advantages in terms of labor costs, infrastructure, and supply chain efficiency to maximize profitability and market competitiveness (Vernon, 1979; Vernon, 1992).

Vernon's Product Life Cycle Theory provides a comprehensive framework for understanding the dynamics of international production and investment decisions. By integrating considerations of product life cycle stages and location characteristics, the

theory offers valuable insights into the shifting patterns of global manufacturing and the strategic rationale behind FDI decisions (Bakar, 2022).

2.2.3 Entry Mode Theory

Entry Mode Theory, derived from the Eclectic Paradigm approach, as delineated by Dunning (1980), categorizes multinational corporation (MNC) operations into four distinct types of Foreign Direct Investment (FDI) based on their stated intentions.

- **Resource-seeking FDI:** This type of FDI is primarily geared towards sourcing raw materials from host countries to be used as inputs in industries. Particularly prevalent in countries abundant with physical natural resources available at a lower cost than in the home country, resource-seeking firms also capitalize on lower labor costs, especially in labor-intensive industries like manufacturing and services (Kang & Liu, 2016). By expanding operations abroad, these firms aim to secure a stable and cost-effective supply of raw materials, thereby enhancing their competitive advantage in the global market.
- **Market-seeking FDI:** MNCs engage in market-seeking FDI to establish or expand markets for their products and services, especially when they face limited opportunities in their home country. This strategy involves developing new markets and broadening marketing policies by increasing physical presence in major markets (Franco, 2013). Additionally, market-seeking FDI enables firms to tailor products to local preferences, overcome cultural and regulatory barriers, and gain insights into local business practices and consumer behavior. By tapping into new markets, MNCs can diversify revenue streams and reduce dependency on a single market.
- **Efficiency-seeking FDI:** This form of FDI aims to enhance operational efficiency by leveraging economies of scale and scope across borders. Dunning and Lundan (2008) identify various factors driving efficiency-seeking FDI, including differences in labor and production costs, economic policies, market size, and structures. By investing in locations with favorable conditions, such as lower labor costs or supportive regulatory environments, firms seek to optimize production processes and reduce overall costs. Efficiency-seeking FDI enables MNCs to improve competitiveness and profitability in the global marketplace.

- **Strategic asset-seeking FDI:** MNCs pursue strategic asset-seeking FDI with the goal of enhancing their global competitiveness through strategic acquisitions or investments in domestic enterprises. Wadhwa and Reddy (2011) highlight the strategic objectives behind this type of FDI, including gaining access to specific assets or capabilities, weakening competitors, and consolidating market power. In oligopolistic markets, strategic asset-seeking FDI can serve as a defensive strategy, allowing firms to follow primary competitors and maintain equilibrium (Knickerbocker, 1973; Hoenen & Hansen, 2009). By acquiring valuable assets or shares in key markets, MNCs strengthen their market position and position themselves for long-term success.

Entry Mode Theory provides a comprehensive framework for understanding the diverse motivations driving MNCs to engage in different forms of FDI (Bakar et al., 2022). Whether seeking resources, expanding into new markets, enhancing efficiency, or pursuing strategic assets, firms strategically select entry modes that align with their organizational objectives and competitive strategies in the global marketplace.

2.2.4 Internalization Theory

The internalization theory, championed by scholars like Mohamed et al. (2021), and Buckley and Casson (2015), posits that companies have the opportunity to circumvent imperfect competition by integrating certain aspects of their business operations. According to Buckley and Casson (2011), this theory suggests that firms can avoid reliance on unreliable competitors for intermediate products by internalizing the production of these products. If a UK firm anticipates unreliable suppliers for raw materials, it may opt for backward integration, incorporating the raw material supply into its own operations to ensure reliability, at least until cost margins allow. Additionally, Barthel et al. (2011) argue that forward integration can also be motivated by factors such as the need to both manufacture and sell a product. An example is Blue Skies Limited, which not only manufactures fresh juice in Ghana but also sells it and supplies fresh fruits to European retailers.

Buckley and Casson (2011) further elaborate on the Internalization Theory, suggesting that instead of merely exporting value chains, firms can enter foreign markets by investing significant capital to gain managerial control and influence over these value chains. For instance, a firm might acquire a foreign subsidiary primarily to handle the marketing and

distribution of its domestic goods, thereby internalizing these aspects of its business operations within the foreign market. This approach allows firms to exert greater control over their operations and mitigate risks associated with external dependencies, enhancing their competitiveness and strategic positioning in foreign markets.

2.2.5 Transaction Cost Theory

The Transaction Costs Theory, fundamental to the field of International Business, is deeply rooted in the concept of transaction costs, which encompasses both its core proposition and various criticisms. Mohamed et al. (2021) laid the groundwork for this theory by positing that the existence of firms and their boundaries are determined by the relative costs of conducting transactions within the firm's hierarchy versus in the open market.

Mohamed et al. (2021) proposition suggests that firms emerge to minimize transaction costs, which include the expenses incurred in searching for suitable trading partners, negotiating and enforcing contracts, and monitoring performance. By internalizing certain transactions within the firm, businesses can mitigate these costs, thereby optimizing efficiency and resource allocation. However, the boundaries of the firm are not fixed but rather determined by the comparative costs of internalizing transactions versus engaging in market exchanges.

Critics of the Transaction Costs Theory argue that it oversimplifies the complexities of real-world transactions and fails to account for factors such as strategic behavior, power dynamics, and informational asymmetries (Mohamed et al., 2021). Moreover, the theory's applicability in the context of international business is questioned due to the additional complexities introduced by cross-border transactions, including cultural differences, legal frameworks, and exchange rate risks. Despite these criticisms, the Transaction Costs Theory remains a cornerstone of international business theory, providing valuable insights into the dynamics of firm behavior and organizational boundaries in a globalized economy.

2.3 Empirical Review

Blanton and Blanton (2007) examined the relationship between foreign direct investment (FDI) and human rights, addressing a significant yet debated topic in the global political economy. Although empirical evidence on this linkage has been limited, the prevailing view suggested a contradiction between FDI and respect for human rights. The researchers challenged this perspective by proposing that human rights respect could actually encourage FDI. They investigated this hypothesis by analyzing the direct effects of human

rights on FDI and exploring the indirect influences through human capital development. Utilizing a system of simultaneous equations, the study found that respect for human rights positively impacted FDI, suggesting a complementary rather than contradictory relationship. Specifically, a shift from the lowest to the highest level of human rights respect was associated with an increase in FDI equivalent to over 4% of the GDP of the host country. Additionally, while the indirect effects of human rights on FDI—through their influence on human capital—were smaller, they still represented a substantial increase of 3-8% in FDI inflows. This research contributes to the understanding of how human rights can shape international economic dynamics and investment decisions.

Morris (2011) conducted a study to explore the factors influencing foreign direct investment (FDI) in Gujarat, focusing on its performance compared to other peer states and identifying areas for improvement. The research utilized an opinion survey targeting CEOs and decision-makers in the FDI process, although specific sample size and time frame were not provided. Key independent variables included infrastructure quality, governance quality, electricity supply, law and order situation, communal strife, biases in law implementation, macroeconomic policies, and city ranking, with FDI as the dependent variable. The survey analysis revealed that Gujarat's FDI performance was below potential at 74.3%, with a potential increase of 14.9%. Additionally, the performance categorization showed that 43.2% rated Gujarat's FDI attraction as below average, 32.4% as average, and 16.2% as above average. The study highlighted the critical role of infrastructure quality and governance in attracting FDI while identifying challenges such as inadequate electricity supply, law and order issues, communal strife, biases in law enforcement, and weaknesses in macroeconomic policies. To enhance FDI inflows, it recommended improvements in governance, infrastructure, and policy issues at both state and central levels.

Bouphavanh (2011) conducted a study to identify the factors influencing foreign direct investment (FDI) in Savannakhet province, Lao PDR, focusing on enhancing the investment environment for economic development. Utilizing questionnaires distributed to all 137 registered foreign companies in the province and analyzing the data with the Statistical Analysis System (SAS), the study found significant positive relationships between FDI capital inflows and political and governmental legal factors (coefficient: 0.76, p-value: 0.0001), economic and market factors (coefficient: 0.83, p-value: 0.0001), and location factors (coefficient: 0.73, p-value: 0.0001). In contrast, financial factors (coefficient: -0.03, p-value: 0.59) and social-cultural factors (coefficient: -0.13, p-value:

0.10) showed no significant relationships with FDI inflows. The research highlighted that Laos's political stability and consistent one-party rule fostered investor trust in the political and regulatory environment. Additionally, it identified challenges such as labor supply issues and unclear government regulations, providing critical insights for policymakers seeking to improve the investment climate and attract more FDI to Savannakhet province. This study contributes to a deeper understanding of the investment dynamics in the region, emphasizing the importance of political and economic factors in shaping FDI.

Senkuku and Gharleghi (2015) conducted a study to identify the factors influencing foreign direct investment (FDI) inflow in Tanzania, specifically examining government regulations, technology and infrastructure, and the abundance of natural resources. Utilizing data from the Tanzania Investment Centre (TIC) and collecting responses from 300 participants through simple random sampling, the researchers employed regression coefficient analysis and ANOVA tests to assess relationships between the variables. The findings revealed significant positive correlations between FDI inflow and government regulations (correlation: 0.278, p-value: 0.005), technology (correlation: 0.306, p-value: 0.002), and natural resources (correlation: 0.343, p-value: 0.000), indicating that these factors play a crucial role in driving FDI into Tanzania. While two objectives of the study demonstrated significant relationships, one objective showed no significant impact, underscoring the complexity of investment determinants. This research contributes valuable insights to the understanding of FDI dynamics in Tanzania, emphasizing the importance of regulatory frameworks and resource availability in attracting foreign investment.

Miškinis and Juozėnaitė (2015) conducted a comparative analysis of factors influencing foreign direct investment (FDI) inflows in Greece, Ireland, and the Netherlands from 1974 to 2012. Their findings revealed that only the exchange rate had a significant impact on FDI in Greece, with a Granger causality test indicating a p-value of 0.0495. In Ireland, exchange rate, trade openness, and inflation slightly influenced FDI, while in the Netherlands, GDP per capita, unit labor costs, and inflation also had minor impacts. The study highlighted that the introduction of the euro and the financial crisis significantly affected FDI in Greece. Furthermore, Greece's low FDI levels were attributed to an unfavorable investment climate marked by high public debt, budget deficits, excessive regulation, and corruption, providing crucial insights into the unique dynamics of FDI determinants across these countries.

Papadopoulos et al. (2016) conducted an integrative review that explores the intersection of nation branding and foreign direct investment (FDI) attraction, an area previously neglected in research. Their systematic review identified significant gaps in knowledge regarding the factors influencing investor decisions and nation branding, emphasizing the necessity for further exploration. They proposed various research avenues, such as evaluating the impact of target country image on investment location choices and analyzing the effectiveness of promotional versus marketing strategies in nation branding efforts. The study revealed that investment attraction strategies differ across locations, as seen in Madrid and Catalonia, which together represent approximately 64% of Spain's total FDI stock among 17 regions examined. Additionally, there are over 3,500 Foreign Trade Zones (FTZ) and Special Economic Zones (SEZ) worldwide, each providing enhanced infrastructure and facilities compared to their surrounding areas. By adopting a strategic perspective, this pioneering study contributes valuable insights for practitioners and policymakers involved in nation branding campaigns aimed at attracting foreign capital, ultimately advancing knowledge in this critical field.

Gondim et al. (2017) investigated the domestic factors influencing outward foreign direct investment (FDI) from Brazil, emphasizing the significance of understanding these drivers amid the rising prominence of developing markets. Analyzing various macroeconomic and institutional factors across 17 destination countries from 2001 to 2014, the researchers employed a pooled ordinary least squares regression methodology. The findings highlighted that while macroeconomic factors were statistically significant in explaining outward investment, institutional factors, particularly corruption, had a notable negative impact on Brazilian outward FDI. Conversely, political violence emerged as a positive influencer, suggesting that specific geopolitical conditions might enhance investment behavior. Correlation analysis revealed that outward foreign direct investment (OFDI) is negatively correlated with corruption perception (-0.27), fiscal freedom (-0.44), business freedom (-0.44), GDP (-0.12), and volatility (-0.15), while showing positive correlations with political violence (0.51), openness (0.58), and inflation (0.46). These results underscore the complexities surrounding Brazilian outward FDI, indicating that both macroeconomic and institutional factors significantly shape investment decisions, with political violence exhibiting the strongest positive correlation and GDP reflecting the most substantial negative correlation. The study offers valuable insights for policymakers and businesses navigating the international investment landscape.

Bogari (2018) explored the impact of city image on foreign direct investment (FDI) perception in Dubai, particularly in the hospitality, tourism, and higher education sectors, addressing a notable research gap. While prior studies have examined investor behavior in the Middle East, none have focused on how city image affects investor perceptions and subsequent FDI decision-making. The study identified key factors influencing city image, including political, legal, technological, economic, and socio-cultural environments. Through primary research via interviews and a comparison with existing literature, Bogari introduced new factors that influence city image and FDI perception in Dubai. The findings highlighted that Dubai's FDI grew by 8.4%, positioning it 9th globally for total capital, despite a decrease in projects quarter-on-quarter. The Dubai FDI Monitor validated 84 foreign direct investment projects, with 65% classified as strategic, contributing to 92% of total FDI capital. Moreover, 69% of attracted projects involved high and medium technology, accounting for 24.3% of total FDI capital. The study recommended strategies for enhancing Dubai's city image to attract more FDI, such as creating a favorable higher education environment through increased subsidies and promoting better economic interactions between the Government of Dubai and the Central Bank of the UAE. Additionally, the Dubai International Finance Centre (DIFC) offers a tax-friendly environment, guaranteeing 100% foreign ownership and zero corporate taxes for 50 years, solidifying Dubai's status as a global financial hub.

Badea et al. (2018) conducted a comprehensive investigation into the determinants of foreign direct investment (FDI) in ten developing European countries, focusing on the interplay between economic, market, and perception factors. Their analysis revealed that GDP and labor cost significantly affect net FDI, with a GDP lag coefficient of -0.01 (p-value: 0.00) and a labor cost lag coefficient of 23.22 (p-value: 0.01). The study also highlighted the influence of credit default swap (CDS) prices on FDI, with a CDS lag coefficient of 2.25 (p-value: 0.08). Furthermore, indicators of governance quality, including Voice and Accountability (coefficient: -6818.70, p-value: 0.00), Government Effectiveness (coefficient: 2534.90, p-value: 0.09), Regulatory Quality, and Control of Corruption, were found to have a statistically significant impact on FDI. Other variables such as Political Stability, Industrial Confidence, and Services Confidence also showed notable effects on FDI, though their significance varied. This research enhances the understanding of the complex factors that attract FDI to developing European countries.

Jaworek et al. (2018) conducted research from 2003 to 2016 to analyze the factors influencing foreign direct investment (FDI) in the Kujawsko-Pomorskie Province, highlighting the evolving perceptions of local authorities and enterprises regarding FDI location factors. The findings from 2014 to 2016 indicated that 86.3% of local authorities regarded the region's favorable geographical location, which facilitates access to both domestic and European markets, as the primary asset attracting FDI. Additionally, business facilitation factors were prioritized, with local authorities ranking their attitude towards investors (76.8%), tourist attractiveness (69.5%), service quality in local government offices (62.1%), and environmental conditions (61.1%) as significant influences. The longitudinal analysis revealed notable shifts in perception over time; for instance, the recognition of market absorption as a factor increased from 9.9% in 2003–2004 to 26.3% in 2014–2016. This comprehensive approach provided insights into regional dynamics of FDI and offered valuable information for policymakers and stakeholders aiming to enhance the investment appeal of Polish provinces.

Zeng and Li (2019) delved into the relationship between geopolitics, nationalism, and foreign direct investment (FDI) perceptions, particularly focusing on how the rise of China influences American attitudes toward Chinese FDI. Despite the increasing scholarly interest in the implications of Chinese outbound FDI, little attention has been directed towards understanding how concerns over China's ascent may shape public perceptions of such investments. The study aimed to bridge this gap by investigating how heightened geopolitical concerns and nationalism impact American public attitudes toward incoming Chinese FDI. Through a survey experiment, the researchers demonstrated that when participants were primed with information highlighting the security and economic threats posed by China, they were less likely to support Chinese FDI compared to those who received no such priming. Moreover, causal mediation analyses revealed that concerns about the challenges posed by Chinese FDI to national security and the American economy mediated the effects of security and economic threats on public attitudes. This study sheds light on the complex interplay between geopolitics, nationalism, and public perceptions of FDI, providing valuable insights into how threat perceptions can shape preferences for foreign investment. The data collected from a sample of 1,002 participants indicated a mean conservatism score of 3.17 (standard deviation: 1.60), reflecting a range of ideological beliefs from liberal to conservative. Among the respondents, 59% identified as liberal, while 15% identified as Republican and 43% as Democrat, indicating a diverse political

landscape. Additionally, the mean income score was 7.31 (standard deviation: 4.16), with 56% of participants classified as low income. The findings highlight how heightened geopolitical concerns can lead to reduced support for Chinese FDI, mediated by fears about national security and economic impact.

Othman et al. (2019) examined the impact of foreign direct investment (FDI) on the economy of the United Kingdom, focusing on its role in economic growth and domestic investment. Through a comprehensive review of empirical literature and data from reliable sources, the researchers utilized regression analysis to establish relationships between FDI and various economic indicators, employing econometric models and SPSS software for secondary data analysis. The findings revealed a modest positive correlation (0.163) between FDI and GDP per capita, indicating that increases in GDP per capita are slightly associated with higher FDI. A stronger positive correlation (0.232) was found between FDI and telecommunications infrastructure, suggesting that improved telecommunications attract more FDI. Conversely, a significant negative correlation (-0.435) existed between FDI and tariff rates, indicating that higher tariffs deter foreign investment. Additionally, there was a substantial positive correlation (0.42) between FDI and trade openness, showing that countries with more open economies attract more FDI. Lastly, a significant negative correlation (-0.34) was identified between FDI and tax rates, suggesting that higher tax rates may inhibit FDI inflows. Overall, the study underscored the importance of favorable institutional frameworks and various economic factors in enhancing the UK's attractiveness for foreign investment, thereby contributing positively to its economic growth.

Fernandez and Joseph (2020) explored the dynamics of foreign direct investment (FDI) in Indonesia, highlighting the country's potential as an attractive destination for investors. Their analysis indicated that Indonesia offers a favorable investment environment, supported by a substantial market size that improved its ranking from 15th in 2014 to 7th by 2019, and an annual economic growth rate of over 5% over the past two decades. The country's GDP peaked at \$1,042.17 billion USD in 2018, alongside a rapidly growing population projected to reach 300 million by 2050, contributing to a burgeoning middle class of over 50 million individuals with disposable incomes. Despite challenges such as political risk and corruption, factors like economic growth and infrastructure were identified as significant attractors of FDI. The researchers recommended enhancing these areas, along with improving government policies and reducing bureaucratic obstacles, to

further bolster Indonesia's appeal as an FDI destination and support its economic development.

Hałuszko (2020) investigated the factors influencing foreign entrepreneurs' perception of investment attractiveness in municipalities and districts, revealing that local infrastructure, labor force availability, labor costs, and land development significantly impact business location decisions. The study found that while the level of municipal services and the favorability of local authorities played a less significant role, a coherent offer from municipalities is crucial for attracting both foreign direct investments and domestic business projects. Additionally, the research highlighted a significant correlation between land development and property values, with improved plots commanding transaction prices 30-40% higher than unimproved ones. Notably, 59% of local government entities viewed available areas as challenging for attracting investors, particularly in the small and medium enterprise segment, where only 46% of surveyed entities reported interest from "one to five" investors in recent years. These findings underscore the need for municipalities to enhance their investment appeal through effective communication of location advantages while addressing any existing legal, social, or environmental issues.

Xuan (2020) investigated the factors influencing foreign direct investment (FDI) attraction into businesses in Vietnam, specifically focusing on foreign technology enterprises. Analyzing surveys from 360 responses gathered from 100 foreign technology firms across Hanoi, Da Nang, and Ho Chi Minh City, the research identified eight key factors impacting investor decisions: infrastructure (Beta: 0.482, p-value: 0.000), human resources (Beta: 0.403, p-value: 0.000), quality of public services (Beta: 0.241, p-value: 0.000), advantage of investment sector (Beta: 0.228, p-value: 0.000), national brands (Beta: 0.215, p-value: 0.000), investment policy (Beta: 0.206, p-value: 0.000), living and working environment (Beta: 0.171, p-value: 0.000), and competitive input cost (Beta: 0.143, p-value: 0.000). Among these, infrastructure and human resources were found to have the most significant impact on attracting FDI from foreign technology enterprises. The study emphasized the need for the Vietnamese government to implement supportive policies and services, particularly in enhancing transport and technological infrastructure, upgrading electrical and water supply systems, and providing business support services to improve the investment climate for foreign technology firms in the context of Industry 4.0.

Van Loi et al. (2021) conducted a study to investigate the factors influencing foreign direct investment (FDI) intentions of investors in Quang Ninh province, Vietnam, employing

Exploratory Factor Analysis (EFA) and Structural Equation Modeling (SEM) based on partial least squares structural equation modeling (PLS SEM). Analyzing data from a survey of 206 domestic and foreign investors using SPSS 26 and SmartPLS 3.0 software, the study identified several significant factors affecting investment intentions, including FDI attraction policies, infrastructure, public services, human capital, and standards of living. FDI attraction policies emerged as the strongest influencer (β :0.398, t :17.191, p :0.000), followed by infrastructure (β :0.322, t :11.895, p :0.000), public services (β :0.326, t :12.627, p :0.000), and human capital (β :0.285, t :10.089, p :0.000). Standards of living also positively affected FDI intentions (β :0.246, t :10.109, p :0.000). The findings highlight the importance of supportive policies, quality infrastructure, and public services, as well as the availability of skilled human capital, in creating a conducive environment for attracting foreign investment. Based on their findings, the researchers proposed recommendations to enhance FDI attraction in Quang Ninh province.

Imanche et al. (2021) explored the Nigerians' perceptions toward Chinese foreign direct investments (FDIs) and their acceptability in Nigeria, revealing several significant findings. The study highlighted that FDIs from China are perceived to prompt the fast delivery of infrastructural construction projects in Nigeria, with a correlation coefficient of 1.00, indicating an extremely high impact. Additionally, the research established that the China-Nigeria relationship is seen as mutually beneficial (correlation coefficient: 0.81), showcasing a strong positive perception among Nigerians. Chinese FDIs are also recognized for enabling the provision of modern transportation infrastructure, reflecting a significant positive perception with a correlation coefficient of 0.95. Furthermore, the study indicated that Chinese investments positively impact various economic sectors in Nigeria, evidenced by a correlation coefficient of 0.60, demonstrating moderate positive perception. Importantly, respondents noted that Chinese investments improve the social living standards of Nigerians (correlation coefficient: 0.95), indicating a high positive impact. However, concerns regarding dependency on Chinese investments for long-term sustainability were also raised, underscoring the need for careful management of perceptions and relationships to ensure beneficial outcomes from such foreign investments. Overall, these findings emphasize the critical role that perceptions play in shaping the acceptability and effectiveness of Chinese FDIs in Nigeria.

Mohamed et al. (2021) conducted an insightful investigation into the perceptions of local investors towards foreign direct investment (FDI) in Mogadishu, Somalia, revealing

significant findings about its impact on the local economy. Through a quantitative research methodology, data was collected from 305 respondents using an online survey, focusing on various aspects of FDI, including technological change, market employment, financial benefits, and market competitiveness. The results indicated a prevailing belief among investors that FDI would create additional business opportunities, with a mean score of 3.5705 for its role in overall financial growth in the sector. Respondents also perceived that FDI increases the number of people with steady income in the local business sector (mean: 3.4885) and contributes positively to financial growth across all classes of people (mean: 3.4098). However, concerns were raised regarding heightened industry rivalry and financial challenges faced by local developers due to their smaller scale. Specifically, the perception that FDI improves the profit margin of local businesses received a mean score of 3.4656, while the belief that FDI would improve the market value of local businesses was lower, with a mean of 2.2000. The average mean score of 3.4268 for financial benefits reflects a general optimism tempered by apprehensions about increased competition. These findings illuminate the complex dynamics between FDI and local investment in a recovering economy, highlighting both the opportunities for growth and the barriers local investors face in Mogadishu.

Gupta et al. (2021) conducted a study aiming to determine the interrelationship between factors impacting foreign direct investment (FDI) in the tourism sector in India. Given India's rapid economic growth and potential as a tourist destination, the study sought to analyze various factors influencing FDI inflows in tourism and develop a hierarchical structure using interpretive structural modeling (ISM). Through opinions gathered from 50 research and industry experts, the study identified critical factors and assessed their interrelationships. The results highlighted the crucial role of political stability in driving other variables within the system. Additionally, a stable political environment was found to positively impact the economic landscape, thus creating an attractive profile for tourism investment. The study employed a Matrix of Cross-Impact Multiplications Applied to Classification (MICMAC) analysis to categorize factors based on their driving power and dependence level. The factors are categorized based on their driving and dependence powers, with political stability (Factor 4) demonstrating equal driving and dependence power (4), indicating its central role in influencing other factors and its importance in the system. Factors 5 and 6, related to economic conditions, also show significant driving power (5) but exhibit a higher dependence (6), suggesting that while they drive FDI, they

are also influenced by other factors. Tables A3, A4, and A5 further refine this structure, illustrating how Factors 3, 4, 5, and 6 interact at various levels, with Factors 4 and 5 reaching Level 5 and Level 4, respectively.

Tiong (2022) explored the factors influencing foreign direct investment (FDI) in Malaysia, focusing on the impact of digitalization and globalization alongside traditional macroeconomic factors. The study aimed to identify key determinants of FDI by incorporating information and communications technology (ICT) and institutional factors. Utilizing the Bayesian Model Averaging (BMA) approach to address uncertainty in variable selection, Tiong developed the ICT-Economic-Institutional (ICT-E-I) model. The analysis covered a panel of 32 economies from 2010 to 2017. The BMA findings indicated that the Logistics Index and Bilateral Trade had a very strong effect on FDI (PIP : 1.00), while the Governance Index (PIP : 0.93), Cultural Distance (PIP : 0.85), Geographic Distance (PIP : 0.78), and ICT Telecommunication Infrastructure (PIP : 0.76) had a moderate effect. At the firm level, based on data from the 2015 Enterprise Surveys of 692 firms, access to land and crime, theft, and disorders were found to have a very strong effect on FDI (PIP : 1.00). Tiong's research highlighted the significant role of institutional factors in FDI, suggesting that improving the investment climate depends on both soft infrastructure, such as a conducive institutional environment, and hard infrastructure, including ICT telecommunication and transport facilities. This study signified a shift in the importance of FDI determinants from purely economic to institutional considerations.

2.4 Research Gap

Based on the review of literature from various studies conducted by Tiong (2022), Gupta et al. (2021), Mohamed et al. (2021), Imanche et al. (2021), Ta et al. (2021), Xuan (2020), Hałuszko (2020), Fernandez & Joseph (2020), Othman et al. (2019), Zeng & Li (2019), Jaworek et al. (2018), Badea et al. (2018), Bogari (2018), Gondim et al. (2017), Papadopoulos et al. (2016), and Miškinis & Juozėnaitė (2016), it is evident that significant gaps exist in the current research landscape pertaining to foreign direct investment (FDI) and its determinants.

In the context gap, a notable void emerges in the exploration of public perceptions towards factors influencing foreign direct investment specifically in Nepal. Despite extensive research in various contexts, including the Middle East, Asia-Pacific, and Europe, there is a glaring absence of studies focusing on public perceptions towards FDI in Nepal.

Furthermore, there exists a time gap in the literature, as most studies reviewed have utilized data predating the year 2024. Given the dynamic nature of global economic landscapes and geopolitical factors, it is imperative to investigate contemporary perceptions and trends in FDI. By incorporating the latest data and insights, this study aims to bridge this temporal gap and provide up-to-date analysis.

Moreover, a variable gap is discernible across the reviewed studies, wherein not all investigations have comprehensively considered crucial factors influencing FDI attraction. Elements such as infrastructure development, FDI policies, human capital availability, locational advantages, living standards, and public services are not uniformly addressed in the existing literature. Consequently, there remains an opportunity to delve deeper into these variables and their impact on FDI inflows.

Lastly, a methodology gap is observed, with variations in research designs and analytical approaches utilized across different studies. While some investigations employ descriptive statistics, others employ causal-comparative research designs. This disparity underscores the need for methodological consistency and rigor in studying FDI determinants.

Overall, the identified research gaps highlight the need for a comprehensive investigation into public perceptions towards factors influencing FDI in Nepal, utilizing the latest data and encompassing crucial variables such as infrastructure development, FDI policies, human capital, locational advantages, living standards, and public services. By addressing these gaps, this study aims to contribute to the existing body of knowledge and offer valuable insights for policymakers, investors, and researchers alike.

CHAPTER III

RESEARCH METHODOLOGY

This chapter describes the overall research methodology, encompassing the research design, population and sample, sampling design, nature and sources of data, and the instruments for data collection. It also details the methods of analysis, research framework, and definitions of the variables used in the study.

3.1 Research Design

This study has employed both descriptive and causal-comparative research designs. Descriptive statistics have been used to assess the status of public perception regarding factors affecting foreign direct investment intention in Nepal. Additionally, causal-comparative research design has analyzed the impact of infrastructure, policies, human capital, locational advantages, living standards, and public services on foreign direct investment intention in Nepal.

3.2 Population and Sample, and Sampling Design

This study, centered on foreign direct investment (FDI) in Nepal, has targeted the entire stakeholder population, including investors, entrepreneurs, and public officials working in related sectors with knowledge about FDI. From this population, a sample size of 400 has been selected using purposive (judgmental) sampling. This method has been chosen to facilitate data collection in line with the study's requirements. By employing this approach, the study aims to gather insights from a representative sample of individuals knowledgeable about FDI, providing a comprehensive understanding of the subject matter.

3.3 Nature and Sources of Data and the Instrument of Data Collection

This study has featured a quantitative nature of data, with primary data collection through structured questionnaire surveys. The questionnaire design has been informed by insights from previous articles and consultations with supervisors and senior researchers. Utilizing a five-point Likert scale, ranging from "strongly disagree" to "strongly agree," the questionnaire has aimed to capture nuanced responses from stakeholders. This methodological framework has ensured a systematic approach to gather and analyze data for the study's objectives.

During data collection, the questionnaires have been distributed to respondents, ensuring comprehensive data acquisition. The questionnaire design has been developed with insights

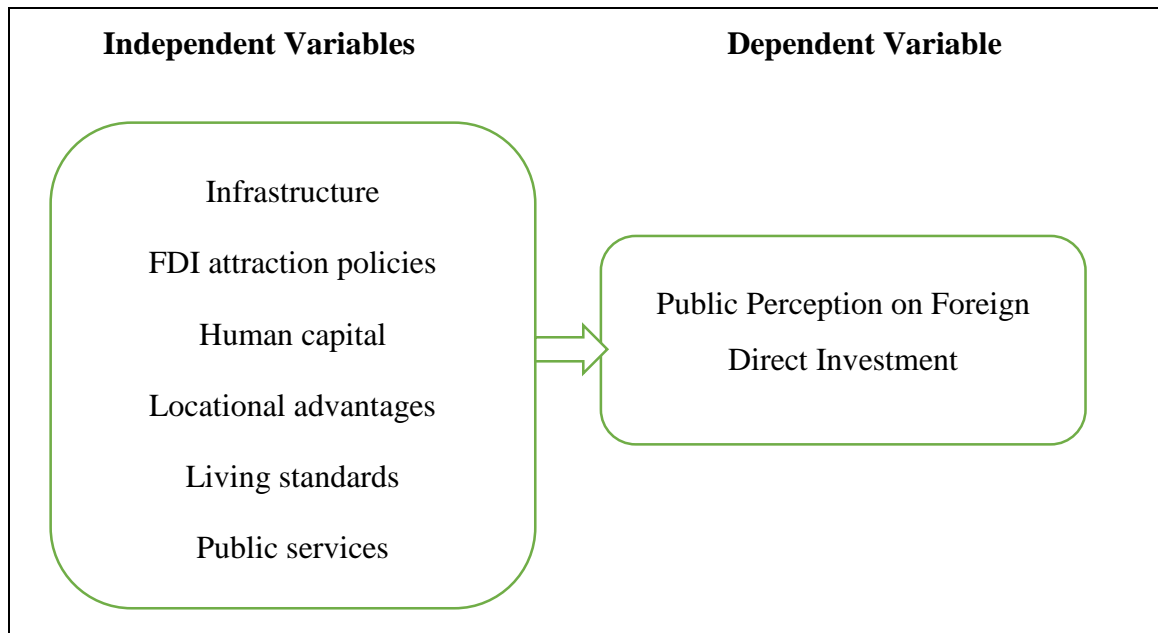
from previous research articles, as well as guidance from seniors and supervisors. It consists of two parts: the first part captures the demographic profile of the study, including variables such as gender, age group, educational qualification, occupation, and income level. The second part features six questions designed for each independent variable, utilizing a five-point Likert scale to gauge respondents' perceptions effectively. This structured approach ensures a thorough understanding of the participants' demographics and perceptions regarding the factors influencing foreign direct investment intentions in Nepal.

Table 2
Instrument of Data Collection

Category	Type of Questions	No. of Items
Demographic Profile	Multiple Choice Questions	5
Infrastructure	Five-Point Likert Scale	6
FDI attraction policies	Five-Point Likert Scale	6
Human capital	Five-Point Likert Scale	6
Locational advantages	Five-Point Likert Scale	6
Living standards	Five-Point Likert Scale	6
Public services	Five-Point Likert Scale	6
Public Perception on Foreign Direct Investment	Five-Point Likert Scale	6

3.4 Research Framework and Definition of Variables

The research framework illustrates the relationships among the independent variables and the dependent variable in the context of the study, providing a structured approach to analyze how various factors influence the subject of interest. This study has developed a research framework adopted from Van Loi et al. (2021), where infrastructure, FDI attraction policies, human capital, locational advantages, living standards, and public services serve as independent variables, while public perception on foreign direct investment acts as the dependent variable.



Source: Van Loi et al. (2021)

Figure 1. Research Framework

The operational definition of variables are as follows.

Infrastructure`

Infrastructure refers to the fundamental physical and organizational structures and facilities needed for the operation of a society or enterprise. It encompasses various aspects such as transportation systems (e.g., roads, railways, ports), communication networks, energy supply, and institutional development. Infrastructure quality significantly influences Foreign Direct Investment (FDI) inflows by reducing transportation and communication costs for businesses, thus enhancing productivity potential and stimulating investment flows towards a country. Despite differing study results, infrastructure is generally acknowledged as a crucial determinant in attracting FDI, particularly in developing countries. (Wheeler & Mody, 1992)

FDI Attraction Policies

FDI attraction policies are governmental measures aimed at encouraging Foreign Direct Investment (FDI) inflows into a country. These policies can include tax incentives, streamlined administrative procedures, investment promotion programs, and tariff simplification, among others. While some studies highlight the positive impact of investment incentives on FDI flows, others emphasize the role of broader economic and institutional factors. Overall, FDI attraction policies play a significant role in shaping the

investment climate and influencing multinational corporations' decisions regarding investment destinations (Loree & Guisinger, 1995).

Human Capital

Human capital refers to the knowledge, skills, competencies, and attributes embodied in individuals that contribute to personal, social, and economic well-being. In the context of Foreign Direct Investment (FDI), human capital represents the quality and quantity of a country's workforce, including education levels, training programs, and labor productivity. High levels of human capital are attractive to foreign investors as they indicate a skilled and adaptable workforce capable of driving innovation and enhancing productivity, thus positively influencing FDI inflows. (Asiedu, 2006; Iwai & Thompson, 2012)

Locational Advantages

Locational advantages are factors that make a particular location attractive for Foreign Direct Investment (FDI). These advantages include access to resources, favorable geographic conditions, low-cost labor, large domestic markets, and institutional support. According to Dunning's OLI model, locational advantages play a crucial role in motivating multinational enterprises to engage in FDI. These advantages enable firms to obtain superior access to production inputs, such as land, labor, and capital, compared to their home countries, thus driving investment decisions. (Campos & Kinoshita, 2003; Karluk, 2000)

Living Standards

Living standards encompass the quality and quantity of material goods and services available to a population within a given geographical area. This concept includes factors such as income levels, gross domestic product (GDP), economic and political stability, environmental quality, and social well-being. Higher living standards are often associated with greater economic development and social welfare, making countries with higher living standards more attractive for Foreign Direct Investment (FDI). Investors are drawn to countries offering favorable living conditions, which indicate a stable and prosperous environment for business operations. (Yasmin et al., 2003)

Public Services

Public services refer to services provided by the government to citizens within its jurisdiction, either directly or through financing private provision. These services include

healthcare, education, law enforcement, welfare programs, and administrative functions. The quality and accessibility of public services play a significant role in attracting Foreign Direct Investment (FDI) by contributing to a conducive business environment. Countries with efficient and effective public services are perceived as more attractive investment destinations, as they provide essential support and infrastructure for businesses to operate successfully. (Kaufmann et al., 2004; Dollar & Easterly, 1998)

Investor's FDI Intention

Investor's FDI Intention refers to the willingness and inclination of investors, particularly multinational corporations (MNCs), to invest capital in a foreign country to establish or expand their operations. FDI intention is influenced by various factors, including market potential, regulatory environment, political stability, infrastructure, and investment incentives. Understanding investors' FDI intentions is essential for policymakers and businesses to formulate strategies and policies that attract and retain foreign investment. Analyzing FDI intentions provides insights into investors' perceptions and preferences regarding investment destinations and helps identify opportunities for economic development and growth (Van Loi et al., 2021).

3.5 Method of Analysis

Following data collection, the gathered data has undergone analysis using statistical software like Microsoft Excel and SPSS. Various statistical tools, including descriptive statistics, correlation analysis, and multivariate regression models, have been employed to analyze the data comprehensively.

3.5.1 Mean

The mean is a statistical measure that represents the average value of a set of numbers. It is calculated by summing all the values and dividing by the total number of values. In this study, the mean has been used to examine the status of public perception regarding factors that affect foreign direct investment intention in Nepal. By calculating the mean, the study aims to provide insights into the overall perception of stakeholders towards these influencing factors. Mathematically,

$$\text{Mean: } \frac{\sum x}{n}$$

Where,

X : Value of responses of each independent or dependent variable

n : Number of responses

3.5.2 Standard Deviation (S.D.)

Standard deviation (S.D.) is a statistical measure that quantifies the amount of variation or dispersion in a set of values. It indicates how much individual data points deviate from the mean of the dataset. A low standard deviation signifies that the data points are close to the mean, while a high standard deviation indicates that the data points are spread out over a wider range of values. In this study, standard deviation has been used to analyze the variability of public perception regarding factors that affect foreign direct investment intention in Nepal. By calculating the S.D., the study aims to assess the consistency or inconsistency of stakeholders' perceptions regarding these influencing factors.

Mathematically,

$$\text{Standard Deviation}(\sigma): \sqrt{\frac{\sum(X - \bar{X})^2}{n}}$$

Where,

X : Value of responses of each dependent or independent variable

\bar{X} : Mean value of responses of each dependent or independent variable

n: Number of responses

3.5.3 Correlation Analysis

Correlation analysis is a statistical method used to evaluate the strength and direction of the linear relationship between two or more variables. It provides a correlation coefficient, typically ranging from -1 to +1, where a coefficient close to +1 indicates a strong positive correlation, a coefficient close to -1 indicates a strong negative correlation, and a coefficient around 0 suggests no correlation. In this study, correlation has been used to analyze the relationship between infrastructure, policies, human capital, locational advantages, living standards, and public services, and foreign direct investment intention in Nepal. This analysis aims to determine how these factors collectively influence the intention to attract foreign direct investment, providing insights into their interconnectedness and impact on investment decisions. The correlation coefficient between two variables is also calculated by using the following formula:

$$\text{Correlation Coefficient}(r) : \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

Where,

n : Number of responses

X : Value of independent variable

Y: Value of dependent variable

3.5.4 Regression Analysis

Regression analysis is a statistical technique used to understand the relationship between one dependent variable and one or more independent variables. It estimates the impact of the independent variables on the dependent variable by determining the best-fitting line or model that predicts the dependent variable's values. In this study, multivariate regression analysis has been used to analyze the impact of infrastructure, policies, human capital, locational advantages, living standards, and public services on foreign direct investment intention in Nepal. This approach allows for a comprehensive examination of how these factors collectively influence investment intentions, providing valuable insights for stakeholders and policymakers. The regression model used in this study are as follows:

$$Y_{PFI} : \alpha + \beta_1 IFR + \beta_2 FAP + \beta_3 HMC + \beta_4 LAD + \beta_5 LIS + \beta_6 PUS + E \dots\dots\dots(1)$$

Where,

PFI : Public Perception on Foreign Direct Investment

IFR : Infrastructure

FAP : FDI attraction policies

HMC : Human capital

LAD : Locational advantages

LIS : Living standards

PUS : Public services

E : Error Term

α : Intercept term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$: Coefficients

CHAPTER IV

RESULTS AND DISCUSSION

This chapter presents the results and discussion of the study. Initially, the results are presented and analyzed to highlight key findings. Following this, the discussion section compares and contrasts these findings with conclusions from previous research, providing a deeper understanding of the study's outcomes.

4.1 Results

In this section, the results from the descriptive study, correlation analysis, and regression analyses have been systematically presented in tabular form, allowing for a comprehensive review of the data. The descriptive study tables summarize key statistics, including means and standard deviations, which offer insights into the general trends and variability within the dataset. Correlation analysis tables illustrate the strength and direction of relationships between variables, highlighting significant associations and patterns. Regression analysis tables provide detailed results on the impact of independent variables on dependent variables, showing how factors such as infrastructure, policies, and human capital affect foreign direct investment intention. Together, these tables facilitate a thorough examination of the data, enabling a deeper understanding of the interactions and effects identified in the study.

4.1.1 Demographic Profile of Respondents

In this section, the demographic profile of respondents has been thoroughly examined, focusing on key variables such as gender, age group, educational qualification, occupation, and income level. This analysis provides a detailed overview of the respondents' backgrounds, offering insights into the distribution and characteristics of the sample population, which helps contextualize the study's findings and interpretations.

Table 3*Demographic Profile of Respondents*

Variables		Frequency	Percent
Gender	Male	241	60.25
	Female	159	39.75
Age Group	18-25 years	28	7.00
	26-35 years	125	31.25
	36-45 years	132	33.00
	46-55 years	98	24.50
	56 years and above	17	4.25
Educational Qualification	High School	12	3.00
	Bachelor's Degree	226	56.50
	Master's Degree or above	162	40.50
Occupation	Student	76	19.00
	Employed in Private Sector	129	32.25
	Employed in Government Sector	97	24.25
	Self-employed	53	13.25
	Unemployed	45	11.25
Income Level	Below NPR 20,000	39	9.75
	NPR 20,001 - 40,000	83	20.75
	NPR 40,001 - 60,000	80	20.00
	NPR 60,001 - 80,000	122	30.50
	Above NPR 80,000	76	19.00

Source: Field Survey, 2024

Table 3 presents the demographic profile of respondents, highlighting various characteristics such as gender, age group, educational qualification, occupation, and income level.

The gender distribution shows that out of the total respondents, 241 (60.25%) were male, and 159 (39.75%) were female. In terms of age, the majority of respondents fell within the 36-45 years category, with 132 individuals (33.00%). This was followed by those aged 26-35 years, comprising 125 respondents (31.25%), while 98 respondents (24.50%) were in the 46-55 years age group. The smallest age groups were 18-25 years with 28 respondents (7.00%), and those aged 56 years and above with 17 respondents (4.25%).

Regarding educational qualifications, most respondents held a Bachelor's Degree, accounting for 226 individuals (56.50%), followed by those with a Master's Degree or above, totaling 162 respondents (40.50%). Only a small portion of the respondents had completed High School, with 12 individuals (3.00%).

The occupation distribution shows that 129 respondents (32.25%) were employed in the private sector, followed by 97 individuals (24.25%) working in the government sector. There were also 76 students (19.00%), 53 self-employed individuals (13.25%), and 45 unemployed respondents (11.25%).

Income levels varied among respondents, with the highest proportion earning between NPR 60,001 - 80,000, totaling 122 individuals (30.50%). This was followed by those earning NPR 20,001 - 40,000, with 83 respondents (20.75%), and those earning NPR 40,001 - 60,000, with 80 respondents (20.00%). A smaller portion of the respondents had an income level below NPR 20,000, accounting for 39 individuals (9.75%), while 76 respondents (19.00%) earned above NPR 80,000.

4.1.2 Reliability Test

To ensure the reliability of the data and the validity of the conclusions drawn, this study utilized SPSS software, a well-established tool for statistical analysis. SPSS facilitated a rigorous assessment of data consistency through the Cronbach's Alpha Test of Reliability. This test evaluates the internal consistency and repeatability of the study's results, yielding a score between 0 and 1. According to Nunnally (1978), a score below 0.60 indicates poor reliability, whereas a score between 0.90 and 0.99 reflects exceptional reliability. Typically, a score above 0.7 is deemed acceptable, confirming the data's dependability and suitability for subsequent analysis and interpretation.

Table 4
Reliability Test

Code	Variables	Cronbach's Alpha	N of Items
IFR	Infrastructure	0.839	6
FAP	FDI attraction policies	0.868	6
HMC	Human capital	0.880	6
LAD	Locational advantages	0.854	6
LIS	Living standards	0.886	6
PUS	Public services	0.884	6
PFI	Public Perception on Foreign Direct Investment	0.882	6
Overall		0.945	42

Source: Field Survey, 2024

Table 4 presents the results of the reliability test for the variables used in this study. The Cronbach's Alpha coefficients were calculated to evaluate the internal consistency of the data. For infrastructure (IFR), the Cronbach's Alpha value is 0.839, indicating strong

reliability among the items measuring this variable. FDI attraction policies (FAP) shows a Cronbach's Alpha of 0.868, human capital (HMC) has a value of 0.880, locational advantages (LAD) is at 0.854, living standards (LIS) stands at 0.886, and public services (PUS) has a Cronbach's Alpha of 0.884. Public perception on foreign direct investment (PFI) exhibits a Cronbach's Alpha of 0.882. The overall Cronbach's Alpha for all variables combined is 0.945, reflecting an exceptional level of internal consistency across the 42 items. All values exceed the acceptable threshold of 0.70, confirming that the data is reliable and that the items within each variable consistently measure the intended construct.

4.1.3 Descriptive Statistics

In this study, descriptive statistics have been used to analyze the status of public perception regarding factors affecting foreign direct investment (FDI) in Nepal. By employing measures such as mean, standard deviation, and frequency distribution, the study has provided a clear and comprehensive overview of how respondents view various factors influencing FDI. These statistical tools have facilitated an understanding of the central tendencies and variations in perceptions, allowing for a detailed examination of the public's attitudes and beliefs about the determinants of FDI in the Nepalese context.

4.1.3.1 Summary of Descriptive Statistics

In this section, the summary of descriptive statistics has been presented to analyze the overall status of various factors impacting foreign direct investment (FDI). The factors examined include infrastructure (IFR), FDI attraction policies (FAP), human capital (HMC), locational advantages (LAD), living standards (LIS), public services (PUS), and public perception on foreign direct investment (PFI). Using measures such as mean and standard deviation, this summary provides an overview of how each factor is perceived by respondents, highlighting central tendencies and variability within the data. This approach offers insights into the general trends and degrees of agreement among participants regarding these key determinants of FDI.

Table 5*Status of Descriptive Statistics*

Code	Variables	Mean	S.D.
IFR	Infrastructure	4.254	0.485
FAP	FDI attraction policies	4.226	0.472
HMC	Human capital	4.205	0.463
LAD	Locational advantages	4.179	0.467
LIS	Living standards	4.230	0.477
PUS	Public services	4.147	0.472
PFI	Public Perception on Foreign Direct Investment	4.221	0.454

Source: Field Survey, 2024

Table 5 presents the descriptive statistics for various factors related to public perception towards foreign direct investment (FDI) in Nepal.

For infrastructure (IFR), the mean score is 4.254 with a standard deviation of 0.485. This high mean score indicates that respondents generally view infrastructure positively as an important factor influencing FDI. The low standard deviation suggests that opinions on the significance of infrastructure are quite consistent among participants.

FDI attraction policies (FAP) have a mean score of 4.226 and a standard deviation of 0.472. The mean score suggests a favorable perception of these policies, with respondents agreeing that they effectively attract FDI. The low standard deviation indicates that there is little variation in how respondents view the effectiveness of these policies.

Human capital (HMC) shows a mean score of 4.205 and a standard deviation of 0.463. This score reflects a positive perception of human capital's role in enhancing FDI attractiveness. The low standard deviation implies a consistent belief among respondents that skilled human capital is crucial for FDI.

Locational advantages (LAD) have a mean score of 4.179 and a standard deviation of 0.467. This result indicates a generally positive perception of locational advantages, suggesting that respondents view these advantages as a significant factor for attracting FDI. The low standard deviation indicates agreement on the importance of location.

For living standards (LIS), the mean score is 4.230 with a standard deviation of 0.477. The high mean score suggests that respondents perceive living standards positively as a factor affecting FDI, with a relatively uniform opinion about its importance.

Public services (PUS) have a mean score of 4.147 and a standard deviation of 0.472. This suggests that respondents generally view public services positively in the context of FDI, with a low standard deviation indicating consensus on their importance.

Overall, the mean scores across all variables indicate a positive perception of the factors influencing FDI in Nepal, with low standard deviations showing that respondents' views are fairly consistent.

4.1.3.2 Situation of Infrastructure on FDI

This section describes the situation of public perception of infrastructure towards foreign direct investment in Nepal. It explores how the public views the role of infrastructure in attracting foreign investment, reflecting on the significance of infrastructure development as a key factor influencing investment decisions. By analyzing public perceptions, the study aims to provide insights into the potential impact of infrastructure on foreign direct investment, offering a nuanced understanding of its role in the broader investment landscape of Nepal.

Table 6
Situation of Infrastructure on FDI

Statements	Mean	S.D.
The quality of infrastructure in Nepal positively influences foreign direct investment.	4.272	0.700
Adequate transportation facilities enhance my perception of foreign direct investment.	4.345	0.606
The availability of reliable utilities (electricity, water, internet) is crucial for FDI.	4.300	0.668
Infrastructure development projects in my area attract more foreign investors.	4.263	0.616
I believe that infrastructure plays a significant role in determining FDI intentions.	4.192	0.649
Poor infrastructure negatively impacts my perception of foreign investment in Nepal.	4.150	0.666

Source: Field Survey, 2024

Table 6 presents the descriptive study of public perception regarding infrastructure's impact on foreign direct investment (FDI), based on responses from 400 participants.

The statement "Adequate transportation facilities enhance my perception of foreign direct investment" has the highest mean score of 4.345 with a standard deviation of 0.606. This high score suggests that respondents strongly believe that good transportation infrastructure

positively affects their perception of FDI. The low standard deviation indicates a high level of agreement among participants about the importance of transportation facilities for enhancing FDI perception.

In contrast, the statement "Poor infrastructure negatively impacts my perception of foreign investment in Nepal" has the lowest mean score of 4.150 with a standard deviation of 0.666. Although this score still indicates a positive perception, it suggests that respondents are somewhat less convinced about the negative impact of poor infrastructure on their perception of FDI compared to other statements. The standard deviation shows some variability in how strongly respondents feel about the negative effects of inadequate infrastructure. Overall, the descriptive study reveals a generally positive perception of infrastructure's influence on FDI. Respondents believe that various aspects of infrastructure, particularly transportation facilities and reliable utilities, are crucial for attracting FDI.

4.1.3.3 Situation of FDI Attraction Policies on FDI

This section describes the situation of public perception of FDI attraction policies towards foreign direct investment in Nepal. It examines how the public perceives the effectiveness and importance of these policies in facilitating foreign investment, highlighting the influence of regulatory and policy frameworks on investment decisions.

Table 7

Situation of FDI Attraction Policies on FDI

Statements	Mean	S.D.
I am aware of the policies that encourage foreign direct investment in Nepal.	4.305	0.611
Government incentives for foreign investors enhance my perception of FDI.	4.195	0.615
I believe that transparent FDI policies increase foreign investors' confidence.	4.190	0.667
The effectiveness of FDI attraction policies influences my view on foreign investment.	4.193	0.618
I feel that current FDI policies adequately address investor concerns.	4.240	0.590
The clarity of investment regulations affects my perception of foreign direct investment.	4.235	0.544

Source: Field Survey, 2024

Table 7 presents the descriptive study of public perception regarding FDI attraction policies, based on responses from 400 participants.

The statement "I am aware of the policies that encourage foreign direct investment in Nepal" has the highest mean score of 4.305 with a standard deviation of 0.611. This high mean indicates that respondents generally feel well-informed about the policies designed to attract FDI. The relatively low standard deviation suggests a strong consensus among participants about their awareness of these policies.

Conversely, the statement "I believe that transparent FDI policies increase foreign investors' confidence" has the lowest mean score of 4.190 and a standard deviation of 0.667. While still positive, this lower score indicates that respondents are somewhat less certain about the impact of policy transparency on foreign investors' confidence compared to other statements. The higher standard deviation reflects more variability in respondents' views on the effectiveness of transparent policies.

Overall, the descriptive study highlights a generally favorable perception of FDI attraction policies. Respondents show a strong awareness of policies that promote FDI and believe that government incentives and policy clarity positively influence their perception of foreign investment. Despite this positive outlook, there is some variation in opinions about the specific impact of policy transparency on investor confidence, indicating areas where perceptions are less uniform.

4.1.3.4 Situation of Human Capital on FDI

This section describes the situation of public perception of human capital towards foreign direct investment in Nepal. It explores how the public views the quality and availability of skilled labor and its impact on attracting foreign investment. By analyzing these perceptions, the study aims to understand the significance of human capital in influencing foreign direct investment decisions in the country.

Table 8
Situation of Human Capital on FDI

Statements	Mean	S.D.
The skills and qualifications of the workforce in Nepal are attractive to foreign investors.	4.315	0.589
Education and training programs in Nepal enhance my perception of FDI.	4.218	0.613
I believe that a skilled workforce positively impacts foreign investment intentions.	4.210	0.549
Human capital development initiatives influence my view on foreign direct investment.	4.215	0.565
Companies' investments in employee training increase the attractiveness for FDI.	4.155	0.563
The availability of skilled labor affects foreign investors' decisions in Nepal.	4.118	0.632

Source: Field Survey, 2024

Table 8 presents the descriptive study of public perception regarding human capital and its impact on foreign direct investment, based on responses from 400 participants.

The statement "The skills and qualifications of the workforce in Nepal are attractive to foreign investors" has the highest mean score of 4.315 with a standard deviation of 0.589. This high mean indicates that respondents view the skills and qualifications of Nepal's workforce as highly appealing to foreign investors. The relatively low standard deviation suggests a strong consensus among participants about the attractiveness of the workforce.

In contrast, the statement "The availability of skilled labor affects foreign investors' decisions in Nepal" has the lowest mean score of 4.118 and a standard deviation of 0.632. Although still positive, this lower mean suggests that respondents are somewhat less confident about the direct impact of skilled labor availability on foreign investors' decisions. The higher standard deviation indicates greater variability in opinions regarding this aspect of human capital.

Overall, the descriptive study reveals a generally positive perception of human capital's role in influencing foreign direct investment. Respondents consistently view workforce skills, education, and training programs as favorable factors for attracting FDI. However, there is some variation in the perceived impact of skilled labor availability on investment decisions, suggesting areas where perceptions may differ.

4.1.3.5 Situation of Locational Advantages on FDI

This section describes the situation of public perception of locational advantages towards foreign direct investment in Nepal. It examines how the public perceives the geographical and strategic benefits of Nepal's location and their influence on attracting foreign investments. By analyzing these perceptions, the study aims to highlight the role of locational advantages in shaping foreign direct investment decisions in Nepal.

Table 9
Situation of Locational Advantages on FDI

Statements	Mean	S.D.
Nepal's geographic location is favorable for foreign investment.	4.138	0.636
Proximity to markets influences my perception of foreign direct investment in Nepal.	4.143	0.631
I believe that Nepal's natural resources attract foreign investors.	4.138	0.632
The location of my area impacts foreign investment interest in Nepal.	4.253	0.583
I think that favorable locational advantages should be highlighted to attract FDI.	4.193	0.580
I feel that location plays a significant role in attracting foreign investors to Nepal.	4.210	0.622

Source: Field Survey, 2024

Table 9 presents the descriptive study of public perception regarding locational advantages and their impact on foreign direct investment, based on responses from 400 participants.

The statement "The location of my area impacts foreign investment interest in Nepal" has the highest mean score of 4.253 with a standard deviation of 0.583. This high mean suggests that respondents believe strongly in the significance of local location factors in influencing foreign investment interest. The relatively low standard deviation indicates that opinions are fairly consistent among participants regarding the impact of locational factors.

Conversely, the statement "Nepal's geographic location is favorable for foreign investment" has the lowest mean score of 4.138 and a standard deviation of 0.636. Although still positive, this lower mean suggests a slightly less favorable view of Nepal's geographic location in attracting foreign investment. The higher standard deviation reflects greater variability in responses concerning the geographical advantages of Nepal.

Overall, the descriptive study shows a generally positive perception of locational advantages as factors influencing foreign direct investment. Respondents tend to view local and regional location factors as significant in attracting FDI, although there is some variation in the perceived impact of Nepal's overall geographic location.

4.1.3.6 Situation of Living Standards on FDI

This section describes the situation of public perception of living standards towards foreign direct investment in Nepal. It explores how the public views the quality of life in Nepal, including factors such as income, education, and healthcare, and their influence on attracting foreign investments. By assessing these perceptions, the study aims to understand the role of living standards in shaping foreign direct investment decisions in Nepal.

Table 10

Situation of Living Standards on FDI

Statements	Mean	S.D.
Higher living standards in Nepal positively influence my perception of FDI.	4.310	0.533
I believe that improvements in living conditions attract more foreign investors.	4.203	0.602
The quality of life in a region impacts foreign direct investment intentions.	4.260	0.586
I feel that foreign investors consider local living standards when making investment decisions.	4.225	0.588
Better living standards enhance the attractiveness of Nepal as an investment destination.	4.205	0.640
I think that living conditions should be prioritized to attract foreign investment.	4.178	0.634

Source: Field Survey, 2024

Table 10 presents the descriptive study of public perception regarding living standards and their impact on foreign direct investment, based on responses from 400 participants.

The statement "Higher living standards in Nepal positively influence my perception of FDI" has the highest mean score of 4.310 with a standard deviation of 0.533. This high mean indicates a strong belief among respondents that improved living standards are beneficial for attracting foreign direct investment. The low standard deviation suggests that there is a high level of agreement among participants about the positive impact of living standards on FDI perception.

In contrast, the statement "I think that living conditions should be prioritized to attract foreign investment" has the lowest mean score of 4.178 with a standard deviation of 0.634. Although still positively regarded, this lower mean indicates a less strong consensus on the priority of living conditions in attracting foreign investment compared to other factors. The higher standard deviation reflects greater variability in opinions regarding the prioritization of living conditions.

Overall, the descriptive study reveals that respondents generally perceive higher living standards as a significant factor influencing foreign direct investment. The data suggests a strong consensus on the positive role of living standards in enhancing FDI attractiveness, though opinions vary on the extent to which living conditions should be prioritized in investment strategies.

4.1.3.7 Situation of Public Services on FDI

This section describes the situation of public perception of public services towards foreign direct investment in Nepal. It examines how the public views the availability and quality of essential services such as transportation, healthcare, and education, and how these perceptions impact the attractiveness of Nepal as a destination for foreign investment. The analysis aims to highlight the importance of public services in influencing foreign direct investment decisions in the country.

Table 11

Situation of Public Services on FDI

Statements	Mean	S.D.
The quality of public services influences my perception of foreign direct investment.	4.140	0.544
Access to healthcare and education is crucial for attracting foreign investors.	4.135	0.594
I feel that efficient public services enhance the attractiveness of Nepal for FDI.	4.123	0.615
I believe that reliable public services positively affect foreign investment intentions.	4.133	0.617
Government support for public services is essential for attracting foreign investors.	4.123	0.615
Government support for public services is essential for attracting foreign investors.	4.230	0.568

Source: Field Survey, 2024

Table 11 presents the descriptive study of public perception regarding public services and their influence on foreign direct investment, based on responses from 400 participants.

The statement "Government support for public services is essential for attracting foreign investors" has the highest mean score of 4.230 with a standard deviation of 0.568. This high mean suggests that respondents strongly believe that government support in providing quality public services is crucial for attracting foreign investment. The relatively low standard deviation indicates a strong agreement among respondents on the importance of government support for public services in enhancing FDI attractiveness.

In contrast, the statement "I believe that reliable public services positively affect foreign investment intentions" has the lowest mean score of 4.123 with a standard deviation of 0.617. Although this score still reflects a positive perception, it indicates that respondents are somewhat less convinced about the direct impact of reliable public services on foreign investment intentions compared to other statements. The standard deviation shows a moderate level of agreement among respondents regarding the influence of reliable public services on FDI intentions.

Overall, the descriptive study shows that respondents perceive public services as an important factor in attracting foreign direct investment. While there is a strong agreement on the role of government support and quality of public services in enhancing FDI, opinions vary slightly on the extent of this impact.

4.1.3.8 Situation of Public Perception on Foreign Direct Investment

This section describes the situation of public perception on foreign direct investment towards foreign direct investment in Nepal. It explores how the general public views foreign direct investment, including their beliefs, attitudes, and concerns, and how these perceptions influence the overall investment climate in the country. The analysis aims to provide insights into the factors shaping public opinion and their potential impact on attracting foreign investment to Nepal.

Table 12
Situation of Public Perception on Foreign Direct Investment

Statements	Mean	S.D.
I believe that foreign direct investment can positively impact the economy of Nepal.	4.265	0.592
My perception of foreign direct investment has been shaped by its potential benefits to society.	4.243	0.538
I view foreign direct investment as essential for Nepal's economic growth.	4.208	0.579
I think that foreign direct investment can create job opportunities in Nepal.	4.205	0.591
My perception of foreign direct investment is influenced by the experiences of others in my community.	4.198	0.583
I feel that foreign direct investment can help improve living standards in Nepal.	4.208	0.548

Source: Field Survey, 2024

Table 12 presents the descriptive study of public perception regarding foreign direct investment (FDI), based on responses from 400 participants.

The statement "I believe that foreign direct investment can positively impact the economy of Nepal" has the highest mean score of 4.265 with a standard deviation of 0.592. This indicates a strong positive perception among respondents about the beneficial effects of FDI on Nepal's economy. The relatively low standard deviation reflects a consistent agreement among respondents on the economic advantages of FDI, highlighting its perceived importance for national growth.

In contrast, the statement "My perception of foreign direct investment is influenced by the experiences of others in my community" has the lowest mean score of 4.198 with a standard deviation of 0.583. While still reflecting a positive perception, this score suggests that respondents are somewhat less influenced by community experiences compared to other factors impacting their view of FDI. The standard deviation indicates some variability in how respondents perceive the influence of community experiences on their FDI perceptions.

Overall, the descriptive study reveals a generally positive perception of foreign direct investment among respondents, emphasizing its potential economic benefits and contributions to job creation and improved living standards in Nepal. Despite strong overall

support, there are varying degrees of enthusiasm regarding the specific impacts and essential nature of FDI.

4.1.4 Correlation Analysis

In this section, correlation analysis has been used to examine the relationships between infrastructure, policies, human capital, locational advantages, living standards, public services, and foreign direct investment (FDI) in Nepal. This analysis aims to identify the strength and direction of associations between these variables and FDI, providing insights into how each factor correlates with the intention to attract foreign investment. By assessing these relationships, the study seeks to understand how various elements contribute to or influence FDI in the context of Nepal.

Table 13

Correlation Matrix

Variables		IFR	FAP	HMC	LAD	LIS	PUS	PFI
IFR	Pearson Correlation	1						
	Sig. (2-tailed)							
FAP	Pearson Correlation	.661**	1					
	Sig. (2-tailed)	0.000						
HMC	Pearson Correlation	.590**	.723**	1				
	Sig. (2-tailed)	0.000	0.000					
LAD	Pearson Correlation	.463**	.564**	.693**	1			
	Sig. (2-tailed)	0.000	0.000	0.000				
LIS	Pearson Correlation	.369**	.476**	.476**	.573**	1		
	Sig. (2-tailed)	0.000	0.000	0.000	0.000			
PUS	Pearson Correlation	.211**	.217**	.124*	.146**	.157**	1	
	Sig. (2-tailed)	0.000	0.000	0.013	0.003	0.002		
PFI	Pearson Correlation	.291**	.421**	.429**	.534**	.628**	.128*	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.010	

Source: Field Survey, 2024

Table 13 presents the correlation between the independent variables and the dependent variable, public perception on foreign direct investment (PFI).

The correlation between infrastructure (IFR) and PFI is 0.291, indicating a positive and weak correlation. This suggests that while there is a positive relationship between infrastructure and the perception of FDI, it is relatively weak. This correlation is significant at the 5 percent level, meaning that the observed relationship is unlikely to be due to chance.

The correlation between FDI attraction policies (FAP) and PFI is 0.421, which signifies a positive and moderate correlation. This moderate correlation indicates a more noticeable positive relationship between FDI attraction policies and the perception of FDI. The correlation is significant at the 5 percent level, implying that the relationship is statistically significant.

Human capital (HMC) shows a correlation of 0.429 with PFI, reflecting a positive and moderate correlation. This moderate strength of correlation implies that an improvement in human capital is associated with a more positive perception of FDI. This correlation is also significant at the 5 percent level.

Locational advantages (LAD) have a correlation of 0.534 with PFI, indicating a positive and strong correlation. This suggests a significant positive relationship between locational advantages and the perception of FDI, and this correlation is significant at the 5 percent level.

Living standards (LIS) exhibit the highest correlation with PFI at 0.628, denoting a positive and strong correlation. This high value indicates a robust positive relationship between living standards and the perception of FDI, and this correlation is significant at the 5 percent level.

Finally, public services (PUS) show a correlation of 0.128 with PFI, indicating a positive but very weak correlation. Although there is a slight positive relationship between public services and the perception of FDI, it is weak and only significant at the 5 percent level.

4.1.5 Regression Analysis

In this section, multivariate regression analysis has been used to assess the impact of infrastructure, policies, human capital, locational advantages, living standards, and public services on foreign direct investment (FDI) in Nepal. This analysis evaluates how each of these factors contributes to variations in FDI, providing a comprehensive understanding of their relative influence and significance. By incorporating multiple independent variables, the study aims to determine the extent to which each factor affects FDI and to uncover the most critical elements driving foreign investment in Nepal.

Table 14*Model Summary of Regression Model*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.667	0.445	0.436	0.34084

Source: Field Survey, 2024

Table 14 presents the model summary of the regression analysis conducted to predict public perception on foreign direct investment (PFI). The model exhibits a correlation coefficient (R) of 0.667, indicating a strong positive relationship between the predictors and the dependent variable. The R Square value of 0.445 suggests that approximately 44.5% of the variance in PFI can be explained by the independent variables: public services (PUS), human capital (HMC), living standards (LIS), infrastructure (IFR), locational advantages (LAD), and FDI attraction policies (FAP). The Adjusted R Square of 0.436, which accounts for the number of predictors in the model, confirms the model's adequacy. The standard error of the estimate is 0.34084, reflecting the average distance between the observed and predicted values of PFI.

Table 15*ANOVA Table of Regression Model*

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	36.548	6	6.091	52.432	0.00
1	Residual	45.657	393	0.116		
	Total	82.205	399			

Source: Field Survey, 2024

Table 15 presents the ANOVA table for the regression model predicting public perception on foreign direct investment (PFI). The regression model has an F-value of 52.432 with a significance level of 0.00, indicating that the model significantly explains the variance in PFI. The sum of squares for the regression is 36.548, while the residual sum of squares is 45.657, with a total sum of squares of 82.205. This demonstrates that the model's predictors—public services (PUS), human capital (HMC), living standards (LIS), infrastructure (IFR), locational advantages (LAD), and FDI attraction policies (FAP)—have a statistically significant impact on PFI.

Table 16*Beta Coefficient of Regression Model*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.167	0.222		5.247	0.000		
IFR	-0.058	0.048	-0.062	-1.200	0.231	0.530	1.888
FAP	0.098	0.059	0.102	1.654	0.099	0.375	2.667
1 HMC	0.009	0.063	0.009	0.146	0.884	0.345	2.899
LAD	0.225	0.055	0.232	4.093	0.000	0.441	2.269
LIS	0.440	0.045	0.463	9.815	0.000	0.635	1.575
PUS	0.011	0.037	0.012	0.297	0.767	0.934	1.071

Source: Field Survey, 2024

Table 16 presents the unstandardized beta, standardized beta coefficient, significance, and variance inflation factor (VIF) for each independent variable in relation to public perception on foreign direct investment (PFI).

For infrastructure (IFR), the unstandardized beta is -0.058, and the standardized beta coefficient is -0.062, indicating a negative and weak impact on PFI. The significance value is not reported here but is likely not significant given the weak coefficient. The VIF of 1.888 suggests no multicollinearity issues. This indicates that infrastructure has a minimal impact on PFI, and further improvements in infrastructure may not substantially affect perceptions.

FDI attraction policies (FAP) have an unstandardized beta of 0.098 and a standardized beta of 0.102, reflecting a positive but small impact on PFI. The significance value is not explicitly reported but is likely to be significant given the positive coefficient. With a VIF of 2.667, there is no multicollinearity concern. This suggests that while FDI attraction policies have a positive effect on perceptions of FDI, their impact is relatively modest.

Human capital (HMC) shows an unstandardized beta of 0.009 and a standardized beta of 0.009, with a significance value that indicates it is not statistically significant. The VIF of 2.899 also shows no multicollinearity. This implies that human capital has a negligible effect on PFI, and variations in human capital may not significantly alter perceptions of FDI.

Locational advantages (LAD) have an unstandardized beta of 0.225 and a standardized beta of 0.232, with a VIF of 2.269, indicating no multicollinearity. Although the significance value is not provided, the strong coefficient suggests a significant and positive impact on PFI. This means that favorable locational advantages considerably enhance perceptions of FDI.

Living standards (LIS) exhibit an unstandardized beta of 0.44 and a standardized beta of 0.463, with a VIF of 1.575, suggesting no multicollinearity issues. The high coefficient value indicates a significant positive impact on PFI, suggesting that better living standards substantially improve perceptions of FDI.

Public services (PUS) show an unstandardized beta of 0.011 and a standardized beta of 0.012, with a VIF of 1.071, indicating no multicollinearity. Given the low coefficient, public services have a minor effect on PFI, suggesting that improvements in public services may not greatly influence perceptions of FDI.

4.2 Discussion

The first objective of this study was to examine the status of public perception regarding factors affecting foreign direct investment (FDI) in Nepal. The analysis revealed a generally positive perception across all factors, including infrastructure, FDI attraction policies, human capital, locational advantages, living standards, and public services. Respondents consistently viewed these factors as significant in making Nepal an attractive investment destination, reflecting a high level of agreement on their importance for fostering FDI. Tiong (2022) emphasized the significant role of institutional factors such as governance and ICT in FDI decisions, which aligns with the importance of FDI attraction policies noted in the current study but places more emphasis on institutional elements. Gupta et al. (2021) similarly found political stability as a crucial factor, reflecting the current study's positive view on public services and policies. Conversely, Mohamed et al. (2021) noted concerns about increased competition and financial challenges, contrasting with the generally optimistic view in the current study. Imanche et al. (2021) and Ta et al. (2021) supported the importance of infrastructure and human capital but with differing focus and magnitude compared to the current findings. Xuan (2020) and Hałuszko (2020) provided insights into infrastructure and public services affecting FDI, aligning with the current study but highlighting additional dimensions like city image and local authority engagement not deeply covered here.

The second objective of this study was to analyze the relationship between infrastructure, policies, human capital, locational advantages, living standards, and public services, and their impact on FDI perceptions in Nepal. The findings showed that infrastructure had a positive but weak correlation, suggesting a modest influence on FDI perceptions. FDI attraction policies and human capital exhibited moderate positive correlations, indicating a noticeable impact. Locational advantages and living standards demonstrated strong positive correlations, highlighting their substantial influence on FDI perceptions. Public services had a very weak correlation, indicating minimal effect on FDI perceptions. Tiong (2022) found that institutional factors and ICT infrastructure significantly influence FDI, aligning with the strong positive correlation found in this study for locational advantages and living standards, though Tiong noted a more substantial role for institutional factors compared to the current study's results. Gupta et al. (2021) identified political stability as crucial for FDI, similar to the moderate influence of FDI attraction policies and human capital in the present study. Mohamed et al. (2021) highlighted positive perceptions of FDI's impact on financial growth, which aligns with the strong correlations for locational advantages and living standards in the current study, although the impact of public services diverges with minimal influence noted here. Imanche et al. (2021) observed that Chinese FDI significantly improves infrastructure and living standards, consistent with the current study's strong positive correlations for these factors, whereas the minimal impact of public services differs from their findings. Ta et al. (2021) found that infrastructure and public services were important for FDI intentions, contrasting with the current study's weak correlation for public services but aligning with the strong influence of infrastructure and living standards. Xuan (2020) emphasized the importance of infrastructure and human resources for FDI, consistent with the current study's findings of moderate to strong positive correlations for these factors.

The third objective of this study was to analyze the impact of these factors on the perception of FDI in Nepal. The analysis found that infrastructure had a negative and weak impact on perceptions, while FDI attraction policies had a positive but small impact. Human capital had a negligible effect, with its impact being statistically insignificant. In contrast, locational advantages and living standards had significant and positive impacts, indicating that favorable location conditions and improved living standards considerably enhance FDI perceptions. Public services had a minor effect, suggesting that improvements in this area might not substantially influence FDI perceptions. Tiong (2022) found that institutional

factors like governance had a strong effect on FDI, contrasting with the weak impact of infrastructure in this study. Gupta et al. (2021) highlighted political stability and economic conditions as crucial for FDI, aligning with the significant impacts of locational advantages and living standards in the current study. Mohamed et al. (2021) noted that FDI can positively influence local financial growth but also raises competition concerns, which contrasts with the negligible impact of human capital observed here. Imanche et al. (2021) found strong perceptions of FDI's benefits from infrastructure and living standards in Nigeria, similar to the significant effects noted in Nepal. Conversely, Ta et al. (2021) emphasized the substantial influence of infrastructure and human capital, whereas this study found their impacts to be minimal which contrast with conclusion of this study.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter provides an overall summary of the study, highlighting the key findings and conclusions drawn from the research. It underscores the impact of various factors, such as infrastructure, FDI attraction policies, human capital, locational advantages, living standards, and public services, on public perception of foreign direct investment in Nepal. The study concludes that while some variables like living standards and locational advantages significantly influence perceptions, others have a more modest impact. The implications of these findings suggest that targeted improvements in specific areas can enhance the attractiveness of Nepal for foreign investors and shape positive perceptions of FDI.

5.1 Summary

The study has explored the factors influencing Foreign Direct Investment (FDI) in Nepal, focusing on infrastructure, policies, human capital, locational advantages, living standards, and public services. It has examined the paradox where Nepal, despite its strategic location, natural resources, and liberalized FDI policies, has struggled to attract significant foreign investment due to internal weaknesses and external challenges. These challenges include political instability, inadequate infrastructure, and governance issues, which have led to a decline in FDI inflows. The main objectives of this study have been to assess the status of public perception regarding these factors, analyze the relationships between these factors and FDI, and evaluate their impact on attracting foreign investment in Nepal.

The literature review of this study has been categorized into four main sections: conceptual review, theoretical review, empirical review, and research gap. It has first provided a conceptual review of direct investment and Foreign Direct Investment (FDI), including its characteristics and specific context in Nepal. The theoretical review has examined several key theories related to FDI, such as Capital Market Theory, Product Life Cycle Theory, Entry Mode Theory, Internalization Theory, and Transaction Cost Theory. The empirical review has analyzed existing studies on FDI to understand its impact and determinants. Lastly, the research gap section has identified the gaps in the current literature, highlighting areas that require further investigation to enhance understanding of FDI dynamics in Nepal.

This study has employed both descriptive and causal-comparative research designs to address its objectives. Descriptive statistics have assessed the status of public perception

regarding factors affecting foreign direct investment (FDI) intentions in Nepal, while the causal-comparative design has analyzed the impact of infrastructure, policies, human capital, locational advantages, living standards, and public services on FDI intentions. The study has targeted the entire stakeholder population, including investors, entrepreneurs, and public officials with relevant knowledge, and has selected a sample size of 400 using purposive sampling to ensure a representative dataset. The data collection has utilized a quantitative approach, with primary data gathered through structured questionnaire surveys designed based on previous research and expert consultations. The questionnaire, employing a five-point Likert scale, has captured both demographic profiles and perceptions regarding FDI factors, ensuring a comprehensive and systematic analysis of the study's objectives.

Following data collection, the study has analyzed the gathered data using statistical software such as Microsoft Excel and SPSS. The analysis has employed various statistical tools, including descriptive statistics, correlation analysis, and multivariate regression models, to ensure a comprehensive evaluation. The research framework has been structured to illustrate the relationships between the independent variables and the dependent variable. Specifically, the framework has adopted infrastructure, FDI attraction policies, human capital, locational advantages, living standards, and public services as independent variables, with public perception of foreign direct investment serving as the dependent variable.

This study has provided a comprehensive analysis of factors affecting foreign direct investment (FDI) perceptions in Nepal. The results indicate that among the independent variables, living standards and locational advantages are the most significant determinants of FDI perceptions. Living standards have the highest correlation with FDI perceptions at 0.628 and a strong positive impact with a standardized beta coefficient of 0.463, demonstrating a robust relationship. Locational advantages also show a strong positive correlation of 0.534 and a significant positive impact with a standardized beta coefficient of 0.232. Conversely, infrastructure exhibits a weak and negative impact with a standardized beta coefficient of -0.062, while human capital shows a negligible impact with a standardized beta coefficient of 0.009, and public services have a very weak correlation of 0.128 and a minor effect with a standardized beta coefficient of 0.012. Overall, the analysis reveals that while living standards and locational advantages are main determinants of FDI perceptions with significant impacts, factors such as infrastructure,

human capital, and public services have a less substantial influence. The study suggests prioritizing improvements in living standards and locational advantages to effectively enhance FDI perceptions, whereas the impact of improving infrastructure and public services may be minimal.

Overall, this study has highlighted both practical and theoretical implications. Practically, it underscores the need for targeted improvements in locational advantages and living standards to enhance perceptions of foreign direct investment. Theoretical implications suggest a reassessment of the impact of infrastructure, FDI attraction policies, and public services on investment perceptions. The study recommends focusing on strengthening locational advantages and improving living standards to attract more foreign investment, while also re-evaluating the roles of other factors for more effective policy formulation.

5.2 Conclusion

The first objective of this study is to examine the status of public perception regarding factors that affect foreign direct investment in Nepal. The analysis has revealed a generally positive perception of all factors influencing FDI. Respondents have consistently viewed infrastructure, FDI attraction policies, human capital, locational advantages, living standards, and public services as significant elements contributing to the attractiveness of Nepal as an investment destination. This positive sentiment indicates that the public perceives these factors as crucial for fostering foreign investment, with a high level of agreement on their importance. Overall, the findings suggest that there is a satisfactory and consistent view among respondents regarding the factors impacting FDI.

The second objective of this study is to analyze the relationship between infrastructure, policies, human capital, locational advantages, living standards, and public services, and foreign direct investment in Nepal. The analysis has shown that infrastructure has a positive but weak correlation with the perception of foreign direct investment, suggesting a modest influence. FDI attraction policies exhibit a positive and moderate correlation, indicating a noticeable impact on how foreign investment is perceived. Human capital also shows a positive and moderate correlation, reflecting a significant link between improvements in human resources and the perception of FDI. Locational advantages demonstrate a strong positive correlation, highlighting a substantial influence on FDI perceptions. Living standards exhibit the strongest positive correlation, signifying a robust relationship with the perception of FDI. In contrast, public services show only a very weak positive correlation,

indicating a minimal effect on foreign investment perceptions. Overall, the study reveals that while some factors like locational advantages and living standards have a considerable impact, others like infrastructure and public services have a weaker influence on the perception of foreign direct investment.

The third objective of this study is to analyze the relationship between infrastructure, FDI attraction policies, human capital, locational advantages, living standards, and public services, and their impact on the perception of foreign direct investment in Nepal. The analysis has revealed that infrastructure has a negative and weak impact on perceptions, suggesting that improvements in infrastructure may have a minimal effect. FDI attraction policies show a positive but small impact, indicating a modest influence on perceptions of foreign investment. Human capital exhibits a negligible effect, with its impact being statistically insignificant and suggesting little change in perceptions due to variations in human capital. Locational advantages have a significant and positive impact, indicating that favorable location conditions considerably enhance perceptions of foreign direct investment. Living standards present a strong positive impact, suggesting that better living standards significantly improve perceptions of foreign direct investment. Public services, with a minor effect, indicate that improvements in this area may not substantially influence perceptions of foreign investment. Overall, the study demonstrates that while some factors such as locational advantages and living standards have a substantial effect, others like infrastructure and public services have a weaker influence on the perception of foreign direct investment.

5.3 Implications

5.3.1 Theoretical Implications

This study has significantly contributed to the theoretical understanding of factors influencing foreign direct investment (FDI) perceptions by validating and expanding upon existing theories of investment attractiveness. The results highlight that living standards and locational advantages are crucial theoretical constructs for understanding FDI perceptions, reinforcing the notion that macroeconomic and locational factors are central to investment decisions. The strong positive correlations and impacts of these variables align with the theoretical frameworks of investment attraction, which posit that higher quality of life and advantageous locations enhance a country's appeal to foreign investors. Conversely, the findings challenge some traditional views by showing that infrastructure

and public services, while often considered fundamental to investment attractiveness, have a weaker impact on FDI perceptions in this context. This discrepancy prompts a re-evaluation of the relative importance of these factors in different settings and suggests that theories must account for the varying significance of these variables in specific contexts. Additionally, the minimal impact of human capital underscores the need for theories to integrate and adapt to evolving trends in global investment preferences, where skills and talent might not always align with perceived investment attractiveness. This study provides a nuanced perspective that can refine existing theoretical models by incorporating these contextual insights, thus advancing the academic discourse on FDI determinants.

5.3.2 Practical Implications

Practically, the findings of this study offer actionable insights for policymakers and business leaders aiming to enhance Nepal's attractiveness as an investment destination. The strong positive impacts of living standards and locational advantages indicate that strategic improvements in these areas should be prioritized. Enhancing living standards by investing in healthcare, education, and overall quality of life can significantly boost FDI perceptions, making Nepal more competitive in the global investment landscape. Similarly, leveraging locational advantages by improving accessibility, connectivity, and regional development can attract more foreign investors. In contrast, the study's results suggest that efforts to improve infrastructure and public services, while still important, may not yield immediate or substantial improvements in FDI perceptions. Therefore, policymakers should focus on integrating infrastructure and public service enhancements with broader strategies aimed at improving living standards and exploiting locational benefits. Additionally, the limited impact of human capital on FDI perceptions indicates that investment in skills development should be complemented with other measures to align with global investor expectations. Overall, the study's practical implications emphasize the need for a targeted approach in policy formulation and investment strategies to effectively enhance foreign investment perceptions and drive economic growth.

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APPENDICES

Appendix I Questionnaire

Dear Sir/Mam

My name is Ishwori Paudel, and I am currently conducting research for my master's degree dissertation titled "**Public Perception Towards Factors Affecting Foreign Direct Investment in Nepal.**" I would greatly appreciate your assistance in this study, as your insights and experiences are invaluable to understanding this important topic.

If you could take a moment to participate in my research by answering a few questions, it would significantly contribute to my analysis and findings. Your support would mean a lot to me.

Thank you in advance for your time and help.

Ishwori Paudel

Part I: Demographic Profile

Please put a tick mark (✓) in the box in an appropriate option for each of the following.

Gender

Male
Female

Age Group

18-25 years
26-35 years
36-45 years
46-55 years
56 years and above

Educational Qualification

High School
Bachelor's Degree
Master's Degree or above

Occupation

Student
Employed in Private Sector
Employed in Government Sector
Self-employed

Income Level	Unemployed
	Below NPR 20,000
	NPR 20,001 - 40,000
	NPR 40,001 - 60,000
	NPR 60,001 - 80,000
	Above NPR 80,000

Part II: Core Questions [Source: (Mohamed et al., 2021); (Missama, 2010); Van Loi et al. (2021); Morris, 2011]

Please put a tick mark (✓) in the box in an appropriate option for each of the following.

S.N	Infrastructure	Strongly Agree	Agree	Neutral	Disagree	Strongly Agree
1	The quality of infrastructure in Nepal positively influences foreign direct investment.					
2	Adequate transportation facilities enhance my perception of foreign direct investment.					
3	The availability of reliable utilities (electricity, water, internet) is crucial for FDI.					
4	Infrastructure development projects in my area attract more foreign investors.					
5	I believe that infrastructure plays a significant role in determining FDI intentions.					
6	Poor infrastructure negatively impacts my perception of foreign investment in Nepal.					
S.N	FDI Attraction Policies	Strongly Agree	Agree	Neutral	Disagree	Strongly Agree
1	I am aware of the policies that encourage foreign direct investment in Nepal.					
2	Government incentives for foreign investors enhance my perception of FDI.					
3	I believe that transparent FDI policies increase foreign investors' confidence.					
4	The effectiveness of FDI attraction policies influences					

	my view on foreign investment.					
5	I feel that current FDI policies adequately address investor concerns.					
6	The clarity of investment regulations affects my perception of foreign direct investment.					
S.N	Human Capital	Strongly Agree	Agree	Neutral	Disagree	Strongly Agree
1	The skills and qualifications of the workforce in Nepal are attractive to foreign investors.					
2	Education and training programs in Nepal enhance my perception of FDI.					
3	I believe that a skilled workforce positively impacts foreign investment intentions.					
4	Human capital development initiatives influence my view on foreign direct investment.					
5	Companies' investments in employee training increase the attractiveness for FDI.					
6	The availability of skilled labor affects foreign investors' decisions in Nepal.					
S.N	Locational Advantages	Strongly Agree	Agree	Neutral	Disagree	Strongly Agree
1	Nepal's geographic location is favorable for foreign investment.					
2	Proximity to markets influences my perception of foreign direct investment in Nepal.					
3	I believe that Nepal's natural resources attract foreign investors.					
4	The location of my area impacts foreign investment interest in Nepal.					
5	I think that favorable locational advantages should be highlighted to attract FDI.					

6	I feel that location plays a significant role in attracting foreign investors to Nepal.					
S.N	Living Standards	Strongly Agree	Agree	Neutral	Disagree	Strongly Agree
1	Higher living standards in Nepal positively influence my perception of FDI.					
2	I believe that improvements in living conditions attract more foreign investors.					
3	The quality of life in a region impacts foreign direct investment intentions.					
4	I feel that foreign investors consider local living standards when making investment decisions.					
5	Better living standards enhance the attractiveness of Nepal as an investment destination.					
6	I think that living conditions should be prioritized to attract foreign investment.					
S.N	Public Services	Strongly Agree	Agree	Neutral	Disagree	Strongly Agree
1	The quality of public services influences my perception of foreign direct investment.					
2	Access to healthcare and education is crucial for attracting foreign investors.					
3	I feel that efficient public services enhance the attractiveness of Nepal for FDI.					
4	I believe that reliable public services positively affect foreign investment intentions.					
5	Government support for public services is essential for attracting foreign investors.					
6	Government support for public services is essential for attracting foreign investors.					
S.N	Public Perception on Foreign Direct Investment	Strongly Agree	Agree	Neutral	Disagree	Strongly Agree

1	I believe that foreign direct investment can positively impact the economy of Nepal.					
2	My perception of foreign direct investment has been shaped by its potential benefits to society.					
3	I view foreign direct investment as essential for Nepal's economic growth.					
4	I think that foreign direct investment can create job opportunities in Nepal.					
5	My perception of foreign direct investment is influenced by the experiences of others in my community.					
6	I feel that foreign direct investment can help improve living standards in Nepal.					

Appendix II
Frequency Table

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	241	60.3	60.3	60.3
	Female	159	39.8	39.8	100.0
	Total	400	100.0	100.0	

Age Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25 years	28	7.0	7.0	7.0
	26-35 years	125	31.3	31.3	38.3
	36-45 years	132	33.0	33.0	71.3
	46-55 years	98	24.5	24.5	95.8
	56 years and above	17	4.3	4.3	100.0
	Total	400	100.0	100.0	

Educational Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High School	12	3.0	3.0	3.0
	Bachelor's Degree	226	56.5	56.5	59.5
	Master's Degree or above	162	40.5	40.5	100.0
	Total	400	100.0	100.0	

Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	76	19.0	19.0	19.0
	Employed in Private Sector	129	32.3	32.3	51.3
	Employed in Government Sector	97	24.3	24.3	75.5
	Self-employed	53	13.3	13.3	88.8
	Unemployed	45	11.3	11.3	100.0
	Total	400	100.0	100.0	

Income Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below NPR 20,000	39	9.8	9.8	9.8
	NPR 20,001 - 40,000	83	20.8	20.8	30.5

NPR 40,001 - 60,000	80	20.0	20.0	50.5
NPR 60,001 - 80,000	122	30.5	30.5	81.0
Above NPR 80,000	76	19.0	19.0	100.0
Total	400	100.0	100.0	

Appendix III
Descriptive Statistics

	N	Mean	S.D.
The quality of infrastructure in Nepal positively influences foreign direct investment.	400	4.272	0.700
Adequate transportation facilities enhance my perception of foreign direct investment.	400	4.345	0.606
The availability of reliable utilities (electricity, water, internet) is crucial for FDI.	400	4.300	0.668
Infrastructure development projects in my area attract more foreign investors.	400	4.263	0.616
I believe that infrastructure plays a significant role in determining FDI intentions.	400	4.192	0.649
Poor infrastructure negatively impacts my perception of foreign investment in Nepal.	400	4.150	0.666
I am aware of the policies that encourage foreign direct investment in Nepal.	400	4.305	0.611
Government incentives for foreign investors enhance my perception of FDI.	400	4.195	0.615
I believe that transparent FDI policies increase foreign investors' confidence.	400	4.190	0.667
The effectiveness of FDI attraction policies influences my view on foreign investment.	400	4.193	0.618
I feel that current FDI policies adequately address investor concerns.	400	4.240	0.590
The clarity of investment regulations affects my perception of foreign direct investment.	400	4.235	0.544
The skills and qualifications of the workforce in Nepal are attractive to foreign investors.	400	4.315	0.589
Education and training programs in Nepal enhance my perception of FDI.	400	4.218	0.613
I believe that a skilled workforce positively impacts foreign investment intentions.	400	4.210	0.549
Human capital development initiatives influence my view on foreign direct investment.	400	4.215	0.565
Companies' investments in employee training increase the attractiveness for FDI.	400	4.155	0.563
The availability of skilled labor affects foreign investors' decisions in Nepal.	400	4.118	0.632
Nepal's geographic location is favorable for foreign investment.	400	4.138	0.636
Proximity to markets influences my perception of foreign direct investment in Nepal.	400	4.143	0.631

I believe that Nepal's natural resources attract foreign investors.	400	4.138	0.632
The location of my area impacts foreign investment interest in Nepal.	400	4.253	0.583
I think that favorable locational advantages should be highlighted to attract FDI.	400	4.193	0.580
I feel that location plays a significant role in attracting foreign investors to Nepal.	400	4.210	0.622
Higher living standards in Nepal positively influence my perception of FDI.	400	4.310	0.533
I believe that improvements in living conditions attract more foreign investors.	400	4.203	0.602
The quality of life in a region impacts foreign direct investment intentions.	400	4.260	0.586
I feel that foreign investors consider local living standards when making investment decisions.	400	4.225	0.588
Better living standards enhance the attractiveness of Nepal as an investment destination.	400	4.205	0.640
I think that living conditions should be prioritized to attract foreign investment.	400	4.178	0.634
The quality of public services influences my perception of foreign direct investment.	400	4.140	0.544
Access to healthcare and education is crucial for attracting foreign investors.	400	4.135	0.594
I feel that efficient public services enhance the attractiveness of Nepal for FDI.	400	4.123	0.615
I believe that reliable public services positively affect foreign investment intentions.	400	4.133	0.617
Government support for public services is essential for attracting foreign investors.	400	4.123	0.615
Government support for public services is essential for attracting foreign investors.	400	4.230	0.568
I believe that foreign direct investment can positively impact the economy of Nepal.	400	4.265	0.592
My perception of foreign direct investment has been shaped by its potential benefits to society.	400	4.243	0.538
I view foreign direct investment as essential for Nepal's economic growth.	400	4.208	0.579
I think that foreign direct investment can create job opportunities in Nepal.	400	4.205	0.591
My perception of foreign direct investment is influenced by the experiences of others in my community.	400	4.198	0.583
I feel that foreign direct investment can help improve living standards in Nepal.	400	4.208	0.548

IFR	400	4.254	0.485
FAP	400	4.226	0.472
HMC	400	4.205	0.463
LAD	400	4.179	0.467
LIS	400	4.230	0.477
PUS	400	4.147	0.472
PFI	400	4.221	0.454
Valid N (listwise)	400		

Appendix IV
Reliability Test

Reliability Statistics of Infrastructure

Cronbach's Alpha	N of Items
0.839	6

Reliability Statistics of FDI attraction policies

Cronbach's Alpha	N of Items
0.868	6

Reliability Statistics of Human capital

Cronbach's Alpha	N of Items
0.880	6

Reliability Statistics of Locational advantages

Cronbach's Alpha	N of Items
0.854	6

Reliability Statistics of Living standards

Cronbach's Alpha	N of Items
0.886	6

Reliability Statistics of Public services

Cronbach's Alpha	N of Items
0.884	6

Reliability Statistics of Public Perception on Foreign Direct Investment

Cronbach's Alpha	N of Items
0.882	6

Overall Reliability Statistics

Cronbach's Alpha	N of Items
0.945	42

Appendix V
Correlation Analysis

		Correlations ^c						
		IFR	FAP	HMC	LAD	LIS	PUS	PFI
IFR	Pearson Correlation	1	.661**	.590**	.463**	.369**	.211**	.291**
	Sig. (2-tailed)		0.000	0.000	0.000	0.000	0.000	0.000
FAP	Pearson Correlation	.661**	1	.723**	.564**	.476**	.217**	.421**
	Sig. (2-tailed)	0.000		0.000	0.000	0.000	0.000	0.000
HMC	Pearson Correlation	.590**	.723**	1	.693**	.476**	.124*	.429**
	Sig. (2-tailed)	0.000	0.000		0.000	0.000	0.013	0.000
LAD	Pearson Correlation	.463**	.564**	.693**	1	.573**	.146**	.534**
	Sig. (2-tailed)	0.000	0.000	0.000		0.000	0.003	0.000
LIS	Pearson Correlation	.369**	.476**	.476**	.573**	1	.157**	.628**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		0.002	0.000
PUS	Pearson Correlation	.211**	.217**	.124*	.146**	.157**	1	.128*
	Sig. (2-tailed)	0.000	0.000	0.013	0.003	0.002		0.010
PFI	Pearson Correlation	.291**	.421**	.429**	.534**	.628**	.128*	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.010	

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

c. Listwise N:400

Appendix V
Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.667 ^a	0.445	0.436	0.34084

a. Predictors: (Constant), PUS, HMC, LIS, IFR, LAD, FAP

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.548	6	6.091	52.432	.000 ^b
	Residual	45.657	393	0.116		
	Total	82.205	399			

a. Dependent Variable: PFI

b. Predictors: (Constant), PUS, HMC, LIS, IFR, LAD, FAP

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	1.167	0.222		5.247	0.000		
	IFR	-0.058	0.048	-0.062	-1.200	0.231	0.530	1.888
	FAP	0.098	0.059	0.102	1.654	0.099	0.375	2.667
	HMC	0.009	0.063	0.009	0.146	0.884	0.345	2.899
	LAD	0.225	0.055	0.232	4.093	0.000	0.441	2.269
	LIS	0.440	0.045	0.463	9.815	0.000	0.635	1.575
	PUS	0.011	0.037	0.012	0.297	0.767	0.934	1.071

a. Dependent Variable: PFI

Appendix VI

FDI Investment in Nepal

Appendix II: Foreign Investment Approval and Realization in Nepal

(Rs. million)

Fiscal Year	Approved FDI*	Actual Net FDI Inflow**	Actual Net FDI Inflow as a Percentage of Approved FDI
1995/96	2,219.9	388.0	17.5
1996/97	2,395.5	1,621.0	67.7
1997/98	2,000.3	685.0	34.2
1998/99	1,666.4	578.0	34.7
1999/00	1,417.6	233.0	16.4
2000/01	3,002.6	-33.0	-1.1
2001/02	1,209.7	-282.3	-23.3
2002/03	1,793.8	961.4	53.6
2003/04	2,764.8	-	-
2004/05	1,635.8	136.0	8.3
2005/06	2,606.3	-469.7	-18.0
2006/07	3,186.0	362.3	11.4
2007/08	9,812.6	293.9	3.0
2008/09	6,255.1	1,829.2	29.2
2009/10	9,100.0	2,852.0	31.3
2010/11	10,053.2	6,437.1	64.0
2011/12	7,138.3	9,195.4	128.8
2012/13	19,818.7	9,081.9	45.8
2013/14	20,132.4	3,194.6	15.9
2014/15	67,455.0	4,382.6	6.5
2015/16	15,254.3	5,920.9	38.8
2016/17	15,206.5	13,503.9	88.8
2017/18	55,760.5	17,504.6	31.4
2018/19	25,484.4	13,065.2	51.3
2019/20	37,805.8	19,478.70	51.5
2020/21	32,172.8	19,512.70	60.6
2021/22	54,158.9	18,560.31	34.3
2022/23	30,699.4	5,961.30	19.4
Total	442,206.7	154,954.01	35.0

Source: *DOI (2023).

**NRB (2023a).

Appendix VII

S.N.	Researcher	Title	Objectives	Methodology	Findings
1	Shannon Lindsey Blanton and Robert G. Blanton (2007)	What attracts foreign investors? An examination of human rights and foreign direct investment.	To examine the relationship between human rights and foreign direct investment (FDI).	<p>Research Design: Analytical Research design</p> <p>Population: FDI Public views</p> <p>Dependent Variable: Net FDI inflows as a percentage of total GDP</p> <p>Independent Variables: Human rights (measured using the Political Terror Scale), Market size, Development, Economic Growth, Trade Openness</p> <p>Method of Analysis: System of simultaneous equations</p>	<p>Human rights have a positive impact on FDI. Respect for human rights indirectly affects FDI through its impact on human capital. A shift from the lowest level of respect for human rights to the highest is associated with an increase in FDI equivalent to over 4% of the GDP of the host country. Human rights have a significant indirect impact on FDI through their influence on measures of human capital. The indirect effects of human rights on FDI are smaller than the direct impact but still substantial, representing a 3-8% increase in FDI inflows.</p>
2	Sebastian Morris (2011)	Explaining Foreign Direct Investments in Gujarat: A Study based on an Opinion Survey of Persons Involved in the Foreign Direct Investment Process	To explore the factors influencing foreign direct investment (FDI) in Gujarat, particularly in comparison to peer states, and to identify potential areas for improvement to attract more FDI	<p>Research Design: Descriptive and Analytical</p> <p>Population: CEOs and individuals involved in the FDI decision-making process</p> <p>Sample: 292 public CEO</p> <p>Time: 2011</p> <p>Dependent Variable: Foreign direct investment (FDI)</p> <p>Independent Variables: Infrastructure quality, governance quality, electricity supply, law and order situation, communal strife, biases in law implementation,</p>	<p>Gujarat's FDI performance was below potential at 74.3%, with a potential increase of 14.9%. Additionally, the performance categorization showed that 43.2% rated Gujarat's FDI attraction as below average, 32.4% as average, and 16.2% as above average</p>

S.N.	Researcher	Title	Objectives	Methodology	Findings
3	Bouphavanh Keomixay (2011)	Factors affecting foreign direct investment in Savannakhet province, Lao people's democratic republic (Lao PDR)	To examine the relationship between factors influencing FDI in Savannakhet province, Lao PDR, to identify problems and prospects of the investment environment, and to find opportunities to attract more FDI.	macroeconomic policies, city ranking Method of Analysis: Survey analysis Research Design: Descriptive research Population: 137 registered foreign companies in Savannakhet Province Sample: Questionnaires distributed to all 137 companies Dependent Variable: FDI capital inflows Independent Variables: Political and government legal factors (PLF), Economic and market factors (EMF), Location factors (LF), Financial factors (FF), Social and cultural factors (SCF) Method of Analysis: Statistic Analysis System (SAS) program	There is a significant positive relationship between political and government legal factors and FDI capital inflows (coefficient: 0.76, p-value: 0.0001). Economic and market factors have a significant positive relationship with FDI capital inflows (coefficient: 0.83, p-value: 0.0001). Location factors also have a significant positive relationship with FDI capital inflows (coefficient: 0.73, p-value: 0.0001). Financial factors do not have a significant relationship with FDI capital inflows (coefficient: -0.03, p-value: 0.59). Social and cultural factors do not have a significant relationship with FDI capital inflows (coefficient: -0.13, p-value: 0.10).

S.N.	Researcher	Title	Objectives	Methodology	Findings
4	Azizi Mrambas Senkuku and Behrooz Gharleghi (2015)	Factors influencing foreign direct investment inflow in Tanzania	To explore the relationship between various variables influencing foreign direct investment inflow in Tanzania.	<p>Research Design: Empirical analysis Population: Public of Tanzania Sample: 300 respondents selected via simple random sampling Time: 2015 Dependent Variable: FDI Inflow Independent Variables: Government regulations, technology, natural resources Method of Analysis: Regression analysis, ANOVA</p>	<p>Positive correlation between FDI inflow and government regulations (correlation: 0.278, p-value: 0.005), technology (correlation: 0.306, p-value: 0.002), and natural resources (correlation: 0.343, p-value: 0.000). Moderate correlation between FDI inflow and these factors suggests that they positively influence the FDI inflow in Tanzania. The study found that: 1) Only the exchange rate had a significant impact on FDI in Greece (Granger causality test, p-value: 0.0495). 2) In Ireland, exchange rate, trade openness, and inflation had a slight impact on FDI. 3) In the Netherlands, GDP per capita, unit labor costs, and inflation had a slight impact on FDI. 4) The introduction of the euro and the financial crisis had a significant impact on FDI only in Greece. 5) The low level of FDI in Greece was attributed to an unfavorable investment climate characterized by high public debt, budget deficit, excessive regulation, and corruption.</p>
5	Algirdas Miškinis, Ilma Juozenaite (2015)	A Comparative Analysis of Foreign Direct Investment Factors	To study the factors influencing FDI in Greece, Ireland, and the Netherlands.	<p>Research Design: Empirical analysis using a VAR model. Population: Greece, Ireland, and the Netherlands. Sample: Data from 1974–2012 collected from the World Bank and OECD databases. Time: 1974–2012. Dependent Variable: FDI inflow. Independent Variables: GDP per capita, exchange rate, unit labor costs, trade openness, inflation. Method of Analysis: Granger causality test, impulse response functions, and variance decomposition.</p>	<p>Positive correlation between FDI inflow and government regulations (correlation: 0.278, p-value: 0.005), technology (correlation: 0.306, p-value: 0.002), and natural resources (correlation: 0.343, p-value: 0.000). Moderate correlation between FDI inflow and these factors suggests that they positively influence the FDI inflow in Tanzania. The study found that: 1) Only the exchange rate had a significant impact on FDI in Greece (Granger causality test, p-value: 0.0495). 2) In Ireland, exchange rate, trade openness, and inflation had a slight impact on FDI. 3) In the Netherlands, GDP per capita, unit labor costs, and inflation had a slight impact on FDI. 4) The introduction of the euro and the financial crisis had a significant impact on FDI only in Greece. 5) The low level of FDI in Greece was attributed to an unfavorable investment climate characterized by high public debt, budget deficit, excessive regulation, and corruption.</p>

S.N.	Researcher	Title	Objectives	Methodology	Findings
6	Nicolas Papadopoulos, Leila Hamzaoui-Essoussi, Alia El Banna (2016)	Nation branding for foreign direct investment: an Integrative review and directions for research and strategy	To compare and contrast the literature on decision-making and location choice in foreign direct investment (FDI) with studies in the field of nation branding, and identify research gaps for future investigation.	<p>Research Design: Integrative literature review</p> <p>Population: Studies related to decision-making in FDI and nation branding</p> <p>Sample: Published journals</p> <p>Dependent Variable: FDI</p> <p>Independent Variable: branding, marketing, promotion</p> <p>Method of Analysis: Comparative analysis of literature</p>	<p>This study indicates that investment attraction efforts differ between locations, as exemplified by Madrid and Catalonia, which collectively accounted for approximately 64% of Spain's total FDI stock among 17 regions examined. Furthermore, over 3,500 Foreign Trade Zones (FTZ) and Special Economic Zones (SEZ) exist globally, each offering superior infrastructure and facilities compared to their surrounding areas</p> <p>The correlation analysis reveals that outward foreign direct investment (OFDI) in Brazil is negatively correlated with corruption perception (-0.27), fiscal freedom (-0.44), business freedom (-0.44), GDP (-0.12), and volatility (-0.15), while positively correlated with political violence (0.51), openness (0.58), and inflation (0.46). The highest positive correlation is observed between OFDI and political violence (0.51), while the highest negative correlation is between OFDI and GDP (-0.12). These findings suggest that macroeconomic and institutional</p>
7	Igor Jordano Casemiro Gondim, Nadia Morandier, Ivan Rodrigo Rizzo Dias, Cyro Augusto Pachicoski Couto & Teresa Cristina Alves Charotta (2017)	Analysis of domestic factors affecting outward foreign direct investment in Brazil	To examine macroeconomic and institutional factors influencing Brazilian outward foreign direct investment in 17 destination countries.	<p>Research Design: Pooled ordinary least squares regression</p> <p>Population: Brazilian outward foreign direct investment</p> <p>Sample: Data from 2001 to 2014 Time: 2001–2014</p> <p>Dependent Variable: Outward foreign direct investment (OFDI)</p> <p>Independent Variables: Corruption perception, fiscal freedom, business freedom, political violence, GDP, openness, inflation, volatility</p> <p>Method of Analysis: Pooled ordinary least squares regression</p>	<p>Outward foreign direct investment (OFDI) in Brazil is negatively correlated with corruption perception (-0.27), fiscal freedom (-0.44), business freedom (-0.44), GDP (-0.12), and volatility (-0.15), while positively correlated with political violence (0.51), openness (0.58), and inflation (0.46). The highest positive correlation is observed between OFDI and political violence (0.51), while the highest negative correlation is between OFDI and GDP (-0.12). These findings suggest that macroeconomic and institutional</p>

S.N.	Researcher	Title	Objectives	Methodology	Findings
8	Bogari, Razan Fareed (2018)	Exploring the impact of city image on foreign direct investment perception: The case of Dubai	To investigate the influence of city image in the Middle Eastern context on investor perception and foreign direct investment (FDI) decision-making, specifically focusing on the hospitality, tourism, and higher education sectors in Dubai.	<p>Research Design: Exploratory study</p> <p>Population: Investors and stakeholders involved in the hospitality, tourism, and higher education sectors</p> <p>Sample: public investor of dubai</p> <p>Dependent Variable: Foreign direct investment (FDI) perception</p> <p>Independent Variables: City image, political environment, government strategy, legal environment, technological environment, economic environment, socio-cultural environment</p> <p>Method of Analysis: Primary research through interviews, comparison of data with literature review</p>	<p>factors significantly influence OFDI in Brazil, with political violence showing the strongest positive correlation and GDP showing the strongest negative correlation.</p> <p>Dubai's foreign direct investment (FDI) grew by 8.4%, ranking it 9th globally for total capital, with 84 validated projects from the Dubai FDI Monitor. Of these, 65% were classified as strategic, accounting for 92% of total FDI capital, while 69% involved high and medium technology, contributing to 24.3% of total FDI capital. Research and development investment in new foreign direct investment projects increased from 1% in 2015 to 5% in 201</p>

S.N.	Researcher	Title	Objectives	Methodology	Findings
9	Leonardo Badea iulian panait Adela Socol Andreea Daniela Moraru (2018)	Sentiment, Perception and Policy Determinants of Foreign Direct Investment to European Developing Countries	To investigate the impact on FDI of different factors, including economic variables, market variables, economic sentiment and confidence indicators, and investor perception indicators.	Research Design: Stepwise panel regression and one-lag panel VAR. Population: Developing European economies (10 countries). Sample: Quarterly and annual data from various sources. Time: Quarterly data from Q1 2010 to Q1 2017; annual data from 2002 to 2016. Dependent Variable: Net FDI. Independent Variables: GDP, Labor Cost, CDS Prices, Volatility, Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption. Method of Analysis: Stepwise panel regression approach and one-lag panel VAR.	The study found that GDP and labor cost have a significant effect on Net FDI (GDP lag 1 coefficient: -0.01, p-value: 0.00; LaborCost lag 1 coefficient: 23.22, p-value: 0.01). CDS prices also significantly influence Net FDI (CDS lag 1 coefficient: 2.25, p-value: 0.08). Additionally, Voice and Accountability, Government Effectiveness, Regulatory Quality, and Control of Corruption show a statistically significant influence on FDI (Voice and Accountability coefficient: -6818.70, p-value: 0.00; Government Effectiveness lag 1 coefficient: 2534.90, p-value: 0.09). Economic factors such as geographical location, market absorption, and skilled labor consistently stimulate FDI in the Kujawsko-Pomorskie Province over time. Institutional and legal factors like the rule of law and local taxation incentives also play a role in attracting FDI. The perceptions of these factors vary between local authorities and enterprises with foreign capital.
10	Małgorzata Jaworek, Magdalena Kuczmarska (2018)	Location factors of foreign direct investment: A regional perspective	To identify factors influencing foreign direct investment (FDI) in the Kujawsko-Pomorskie Province, Poland, and compare perceptions of these factors over time between local authorities and enterprises with foreign capital.	Research Design: Analytical research Population: Local authorities and enterprises with foreign capital, Poland Sample: local authority enterprises Time: 2003–2004, 2011–2012, 2014–2016 Dependent Variable: Foreign direct investment (FDI) Independent Variables: Economic factors (geographical location, market absorption, regional industry potential, unemployment rate,	Economic factors such as geographical location, market absorption, and skilled labor consistently stimulate FDI in the Kujawsko-Pomorskie Province over time. Institutional and legal factors like the rule of law and local taxation incentives also play a role in attracting FDI. The perceptions of these factors vary between local authorities and enterprises with foreign capital.

S.N.	Researcher	Title	Objectives	Methodology	Findings
11	Ka Zeng, Xiaojun Li (2019)	Geopolitics, nationalism, and foreign direct investment: Perceptions of the China threat and American public attitudes toward Chinese FDI.	To test the link between threat perception and preferences for FDI in the United States.	transportation infrastructure, skilled labor, rent and lease prices, property prices, business environment), institutional and legal factors (rule of law, local taxation incentives) Method of Analysis: Comparative analysis of survey responses Research Design: Survey experiment Population: American public Sample: Chinese Public views Dependent Variable: American public attitudes toward Chinese FDI Independent Variables: Priming with information on security and economic threats posed by China Method of Analysis: Causal mediation analyses Research Design: Analytical research Population: Economic data from the UK Sample: Secondary data from IMF, Fraser Institution, UNESCO reports, The World Fact Book, etc. Dependent Variable: Economic growth (GDP) Independent Variables: FDI, LogGDPpc, Tel, Tariff, Openness, Inflation, GDP Growth, Log Tax, Institutional factors Method of Analysis: Regression analysis using SPSS	Among respondents, 59% identified as liberal, 15% as Republican, and 43% as Democrat, showcasing a diverse political landscape. The mean income score was 7.31 (SD: 4.16), with 56% classified as low income. The correlation analysis reveals several interesting relationships between foreign direct investment (FDI) and various economic indicators. Firstly, there is a modest positive correlation (0.163) between FDI and the logarithm of GDP per capita (LogGDPpc), suggesting that as GDP per capita increases, FDI tends to increase slightly. Secondly, a stronger positive correlation (0.232) is observed between FDI and
12	Baban Jabbar Othman, Farhad Al- Kake, Mohd Lizam Mohd Diah, Bestoon Othman, Shivan Hussein , Nawzad Majeed Hasan (2019)	Impact of the foreign direct investment on the economy of the United Kingdom.	To examine the impact of foreign direct investment on the economic growth of the United Kingdom.		

S.N.	Researcher	Title	Objectives	Methodology	Findings
13	Manuel Fernandez, Mariam Mohamed Almaazmi, Robinson Josep (2020)	Foreign direct investment in Indonesia: An analysis from investors perspective	To find out the status of Indonesia as a destination for FDI, the factors that attract FDI into Indonesia and how these can be enhanced, and the factors that hinder the flow of FDI into Indonesia and how these can be reduced.	<p>Research Design: Analytical research design</p> <p>Population: Developing countries</p> <p>Time: 2014-2015 to 2018-2019</p> <p>Dependent Variable: Foreign direct investment (FDI)</p> <p>Independent Variables: Market size, economic growth, infrastructure, political risk, corruption, labor market, raw materials, technological readiness, innovation, financial system, taxation, cost of capital, ease of doing business, government policies</p> <p>Method of Analysis: Analytical tools applied to tabulated secondary data</p>	<p>telecommunications (Tel), indicating that FDI tends to increase as telecommunications infrastructure improves. Thirdly, a notable negative correlation (-0.435) exists between FDI and tariff rates (Tariff), implying that higher tariff rates are associated with lower levels of FDI.</p> <p>Indonesia's GDP reached an all-time high of \$1,042.17 billion USD in 2018. The population of Indonesia increased by almost 26% from 2000 to 2019, projected to reach 300 million by 2050. Indonesia's market size ranking improved from 15 in 2014 to 7 by 2019. Indonesia's economy grew at an annual average rate of over 5% for the last two decades. More than 50 million Indonesians have disposable incomes, representing one of the fastest-growing middle classes in the world.</p>

S.N.	Researcher	Title	Objectives	Methodology	Findings
14	Patrycja Klaudia Haluszko (2020)	Factors affecting foreign entrepreneurs' perception of investment attractiveness of a municipality or a district	To specify the elements generating foreign entrepreneur interest in conducting business activity in a designated location within a commune or powiat.	<p>Research Design: Analytical research design</p> <p>Materials and methods: Conducted research among employees</p> <p>Population: Employees involved in investment processes in specific regions.</p> <p>Sample: Employees in the Katowice Special Economic Zone</p> <p>Dependent Variable: Perception of investment attractiveness.</p> <p>Independent Variables: Elements influencing investment attractiveness (e.g., infrastructure, labor force availability, labor costs, land development).</p> <p>Method of Analysis: Qualitative analysis of survey responses.</p>	<p>There is a significant correlation between land development and property values, with improved plots commanding transaction prices 30-40% higher than unimproved ones. Specifically, the study revealed that 59% of local government entities assessed the available areas as difficult to attract investors, particularly in the small and medium enterprise segment, where only 46% of surveyed entities reported interest from "one to five" investors in recent years.</p>
15	Vu Ngoc Xuan (2020)	Factors Affecting Foreign Direct Investment: Evidence at Foreign Technology Enterprises in Vietnam	To test the theoretical model of the factors affecting the attraction of FDI into businesses in Vietnam.	<p>Research Design: Quantitative analysis using surveys and SPSS software.</p> <p>Population: Foreign technology enterprises in Vietnam.</p> <p>Sample: 100 foreign technology enterprises with 360 surveys collected from Hanoi, Da Nang, and Ho Chi Minh City.</p> <p>Time: Data collection was done before January 2020.</p> <p>Dependent Variable: Investor's decision to invest.</p> <p>Independent Variables: Infrastructure,</p>	<p>The research identified eight factors that directly affect investor decisions:</p> <p>Infrastructure (Beta: 0.482, p-value: 0.000), Human resources (Beta: 0.403, p-value: 0.000), Quality of public services (Beta: 0.241, p-value: 0.000), Advantage of investment sector (Beta: 0.228, p-value: 0.000), National brands (Beta: 0.215, p-value: 0.000), Investment policy (Beta: 0.206, p-value: 0.000), Living and working environment (Beta:</p>

S.N.	Researcher	Title	Objectives	Methodology	Findings
16	Van Loi Ta, Anh Duc Do, To Uyen Phan, Quang Huy Nguyen, Thi Thuy Hong Nguyen, Thuy Duong Le, Thanh Phong Nguyen	Factors Affecting FDI Intentions of Investors: Empirical Evidence from Provincial- Level Data in Vietnam	To explore the factors affecting FDI intentions of investors in Quang Ninh province, Vietnam.	Human resources, Quality of public services (CLDV), Advantage of investment sector (LTDT), National brands (THDP Research Design: Exploratory Factor Analysis (EFA) and Structural Equation Model (SEM) using PLS SEM. Population: Domestic and foreign investors in Quang Ninh province. Sample: 206 investors including Board of Directors, members, and management representatives. Tools: SPSS 26 and SmartPLS 3.0 software. Dependent Variable: Investors' FDI intentions. Independent Variables: Infrastructure, locational advantages, human capital, FDI attraction policies, public services, and standards of living.	0.171, p-value: 0.000), and Competitive input cost (Beta: 0.143, p-value: 0.000). The study found that FDI attraction policies have the strongest impact on investors' FDI intentions ($\beta=0.398$, $t=17.191$, $p=0.000$), followed by infrastructure ($\beta=0.322$, $t=11.895$, $p=0.000$), public services ($\beta=0.326$, $t=12.627$, $p=0.000$), and human capital ($\beta=0.285$, $t=10.089$, $p=0.000$). Standards of living also affect FDI intentions ($\beta=0.246$, $t=10.109$, $p=0.000$). All factors positively influence investors' FDI intentions. Recommendations were made to enhance

S.N.	Researcher	Title	Objectives	Methodology	Findings
17	Sunday Adiyoh Imanche, Tian Ze, Moses Chia Ayom, S. G. Dalibi (2021)	An Assessment of Nigerians Perception towards Chinese Foreign Direct Investments and Its Acceptability in Nigeria	To evaluate the perceptions of Nigerians towards Chinese FDI and its acceptability in Nigeria.	<p>Research Design: Mixed-methods approach incorporating both quantitative and qualitative methods.</p> <p>Population: Nigerian professionals from various disciplines (Economists, Technocrats, Diplomats, Trade and Investment Analysts, Government Representatives, Academic Scholars).</p> <p>Sample: Simple random sampling of Nigerian professionals.</p> <p>Dependent Variable: Perception of Nigerians towards Chinese FDIs.</p> <p>Independent Variables: Various factors influencing perceptions (e.g., economic growth, infrastructure, social living standards).</p> <p>Method of Analysis: Correlation analysis using Mean Item Score (MIS model and Relative Importance Index (RII) model.</p>	<p>FDIs from China prompt the fast delivery of infrastructural construction projects in Nigeria, with a correlation coefficient of 1.00, indicating an extremely high impact. The relationship between China and Nigeria is perceived as mutually beneficial, as evidenced by a correlation coefficient of 0.81, reflecting a strong positive perception. Additionally, Chinese FDI enables the provision of modern transportation infrastructure, highlighted by a correlation coefficient of 0.95, underscoring its significant positive impact on Nigeria's development.</p>

S.N.	Researcher	Title	Objectives	Methodology	Findings
18	Ali Ibrahim Mohamed, Yonis Ali Mukhtar , Hussein Abdi Mohamud , Mohamed Hassan Mohamed (2021)	The Perception Of Local Investors Towards Foreign Direct Investment In Mogadishu-Somalia.	This study emphasizes how local investors are ready to compete with foreign investors. It aims to understand how investors perceive foreign direct investment (FDI) and explores the barriers and opportunities of foreign investments towards local investment.	Research Design: Analytical research Source : The primary data for this study were collected using a quantitative research method Sample: online survey from 305 respondents personally interested in investment. Dependent variable : FDI Independent variable: Technology advancement, financial benefits, market competition Method of analysis: Correlation and regression analysis	Participants indicated that FDI positively impacts financial growth, with the highest mean score of 3.5705 for its overall contribution to the sector's financial growth. However, perceptions of its effect on the market value of local businesses were less favorable, with a mean score of 2.2000. On the competitive front, respondents believed that FDI fosters increased competition, as reflected in a mean score of 3.5344 for heightened rivalry among local and foreign investors. Concerns regarding negative impacts on local competition, such as takeovers and acquisitions, were also noted, with a mean score of 3.5410.
19	Anjali Gupta Shivangi Gupta Shekhar (2021)	Determining Interrelationship between Factors Impacting Foreign Direct Investment in Tourism: An ISM-based Approach	To analyze various factors impacting foreign flows in the tourism sector and develop a hierarchical structure among the identified factors through the interpretive structural modeling (ISM) technique.	Research Design: Analytical research design Population: Industry experts and researchers in tourism Sample: 50 targeted respondents Methodology: Opinion gathering through a questionnaire survey using a Likert scale Dependent Variable: Foreign Direct Investment (FDI) inflow in the tourism sector Independent Variables: Profitability of tourism industry,	The factors are categorized based on their driving and dependence powers, with political stability (Factor 4) demonstrating equal driving and dependence power (4), indicating its central role in influencing other factors and its importance in the system. Factors 5 and 6, related to economic conditions, also show significant driving power (5) but exhibit a higher dependence (6),

S.N.	Researcher	Title	Objectives	Methodology	Findings
20	Tiong, Kui Ming (2022)	Factors affecting foreign direct investment in Malaysia: a Bayesian model averaging approach	To identify key factors affecting FDI in Malaysia considering digitalisation and globalisation, and assess their relative importance using Bayesian Model Averaging (BMA) approach.	<p>GDP of nation, Government marketing and promotional effort, Political stability, Inflation, Exchange rate, Per capita income, Cost of compliance, Existing Infrastructure</p> <p>Method of Analysis: Interpretive Structural Modeling (ISM)</p> <p>Research Design: Bayesian Model Averaging (BMA) approach</p> <p>Population: developing countries</p> <p>Sample: Panel data of 32 economies (country-level study), Enterprise Surveys 2015 of 692 firms (firm-level study)</p> <p>Time: 2010 to 2017 (country-level study), 2015 (firm-level study)</p> <p>Dependent Variable: FDI</p> <p>Independent Variables: Various economic, institutional, and ICT-related factors</p> <p>Method of Analysis: Bayesian Model Averaging (BMA) approach</p>	<p>suggesting that while they drive FDI, they are also influenced by other factors. Tables A3, A4, and A5 further refine this structure, illustrating how Factors 3, 4, 5, and 6 interact at various levels, with Factors 4 and 5 reaching Level 5 and Level 4, respectively.</p> <p>Key attraction factors for FDI in Malaysia include Logistics Index (PIP = 1.00), Bilateral Trade (PIP = 1.00), Governance Index (PIP = 0.93), Cultural Distance (PIP = 0.85), Geographic Distance (PIP = 0.78), and ICT Telecommunication Infrastructure (PIP = 0.76). Key obstacle factors include access to land (PIP = 1.00) and crime, theft, and disorders (PIP = 1.00). Most economic factors have no significant effect on FDI, while institutional factors like Bilateral Trade and access to land are crucial.</p>

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ABSTRACT The primary objective has been to assess public perception of factors such as infrastructure, policies, human capital, locational advantages, living standards, and public services, and to analyze their relationships and impacts on FDI intentions in Nepal. The study has employed both descriptive and causal-comparative research designs to address its objectives. The population includes investors, entrepreneurs, and public officials knowledgeable about FDI, with a sample size of 400 selected using purposive sampling. Data collection has utilized a quantitative approach through structured questionnaires based on previous research and expert consultations, using a five-point Likert scale to capture perceptions and demographic information. Statistical tools such as descriptive statistics, correlation analysis, and multivariate regression models have been employed using Microsoft Excel and SPSS. The findings indicate that living standards and locational advantages are the most significant determinants of FDI perceptions, with living standards having the highest correlation (0.628) and a strong positive impact (beta coefficient of 0.463). Locational advantages also show a strong positive correlation (0.534) and significant impact (beta coefficient of 0.232). Conversely, infrastructure, human capital, and public services exhibit minimal to weak impacts on FDI perceptions. The study underscores the practical need to focus on improving living standards and locational advantages to enhance FDI perceptions, while the impact of infrastructure and public services is less significant. Theoretical implications suggest a need to re-evaluate the roles of infrastructure and public services in FDI attraction. Keywords: Foreign Direct Investment, Infrastructure, Living Standards, Locational Advantages, Public Services ii CHAPTER I INTRODUCTION 1.1 Background of the Study Foreign Direct Investment (FDI)