

## ABSTRACT

The world's economy has expanded rapidly. Many countries such as United States, United Kingdom, and China have experienced their sustainable economic growth since the last decade, especially the faster growth rate of international transactions shown in the form of foreign direct investment (FDI). Foreign Direct Investment inflows have been increasing to ASEAN in 2002. As Gunawardana and Sisombat (2008) have indicated during 1994-2004, the increasing of foreign direct investment (FDI) inflow to Laos, increased from US\$ 6 million in 1994 to US\$ 35 million in 2004 and it reached US\$ 359 million in 2008 (The Ministry of Planning and Investment report, Lao PDR, 2008).

Savannakhet Province is the second largest FDI inflow after Vientiane. In spite of the experienced growth for many years in Savannakhet and attraction of 10.8% of total FDI in Laos, it still has a relatively low-level social-economic development compared to the potential and comparative advantage of the province. Since, the recent FDI inflows made greater impact on Savannakhet's economic development, if more foreign direct investments were made it would make more improvement in the province economic development directly and indirectly. To seek foreign direct investment attraction factors to acquire the capital flows and economic development to Savannakhet province, Lao PDR, it must be known some of the main factors and resolve some existing problems related to the investment in a country that could attract more FDI.

This study aims to examine the relationship between factors influencing FDI in Savannakhet province, Lao PDR, to find out the problems and prospects of investment environment and to examine the foreign investment situation and look for opportunities to attract more FDI in Savannakhet province, Lao PDR. The researcher used questionnaires form to distribute to all 137 registered foreign companies in Savannakhet Province and used the Statistic Analysis System (SAS) program to analyze the data. Based on the result found that political and government legal factor; Economic and market factors; Location factors; Financial factors; Social and cultural factors are important toward foreign direct investment in Savannakhet province. And for the hypothesis testing result, political and government legal factors; Economic and market factors and Location factors are significant relationship with FDI capital inflows in

Savannakhet province. Since Laos has known many years of political stability and one party rule remain of paramount to the government, therefore it's the one thing that make foreign investor trust in the Lao's political and regulation. For the rest, Financial factors and Social and cultural factors are no significant relationship with FDI capital inflows in Savannakhet Province.

The result of this study at least could provide some useful information from foreign investor such as: problem, barrier that the investors had experienced with their business in Savannakhet especially labor supply in the province and some unclear about regulations of the government. Then the government would know and consider how to attract FDI to the Savannakhet Province.

