Motives for Inward Foreign Direct Investment into Thailand: A Quantitative Analysis

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Abstract

This study aimed to formulate a conceptual framework regarding the Foreign Direct Investment (FDI) location choice made by corporations and identified the motivational factors of the FDI location choices. The framework and associated hypotheses were empirically tested in Thailand. The framework was derived from existing FDI literature and consists of market, resource and efficiency seeking motives as well as institutional factors and general macroeconomic indicators towards the FDI location choice in Thailand. The objective of this research was to extend the understanding of FDI location decisions and hence provide more informed recommendations to Thai policy makers and business practitioners, as well as contribute significant knowledge to academic literature about the most influential determinants for FDI location choice in Thailand. The approach was a quantitative analysis as this provided an overview of the determining factors of FDI inflows into Thailand. Data from a number of companies was collected by using a questionnaire. In order to ensure the reliability of the proposed survey, quantitative techniques such as Cronbach's Alpha and Item-Objective Congruence were applied. Furthermore, descriptive statistics and a multiple linear regression analysis were used to determine the influence of the independent variables obtained from the conceptual framework of this research study. The research study identified that macroeconomic indicators, market-seeking motives and efficiency-seeking motives have a significant positive influence towards the FDI location choice of Thailand. Notably, resource-seeking motives and institutional factors did not have a significant influence. To the best of my knowledge this research study contains no material previously published or written by another person except where due reference is made in the text of the examinable outcome.

Keywords: Foreign Direct Investment (FDI), Motives, Determinants, Inward, Thailand, Location Choice

JEL Classification Code: H10, H13, G11, G12, G24, F62

1. Introduction

Over the last few decades, globalization led to an increase of intercontinental trade on a very large scale, hence changing political and economic environments worldwide. Since the beginning of the 1990s FDI inflows and outflows increased globally, however this was most significant in developing countries, where FDI levels reached new records on a yearly basis (Xiao & Park, 2017). Multi-National Enterprises (MNE’s) fueled this economic development by engaging in international business activities and transnational operations and hence influenced the patterns of technological transfers, cross-border flow of goods as well as capital transfers (Dunning, 2003). The contribution of MNEs can be considered as a key driver of the globalization process, shaping economic development, particularly among developing countries. For developing economies, FDI’s by MNEs provided a significant source of external financing and hence played an important role in the economic integration process (UNCTAD, 2005). FDI distinguishes itself from other forms of capital investment in terms of the market entry mode, which typically includes the establishment of physical facilities in the host country, and hence follows a

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