



# The impact of foreign direct investment on the economy in developing countries

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## ABSTRACT

Foreign Direct Investment (FDI) is a critical factor in shaping the economic development of developing countries. This study conducts a systematic literature review using the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) diagram to comprehensively assess the multifaceted impact of FDI on developing economies. The primary objective is to synthesize existing research and provide insights into the intricate relationship between FDI inflows and economic growth, industrialization, technological progress, job creation, and trade dynamics in these countries. Method: In April 2023, a rigorous search in the Scopus database yielded 93 relevant articles after filtering based on language (English) and time (2018-2023). Further refinement narrowed the focus to 61 publications on "investment and economy." Selecting only "Articles" as the document type resulted in 10 high-quality articles suitable for analysis. The findings highlight the diverse effects of FDI on the economic growth of developing nations, including its role as a catalyst for industrial development, technology transfer, productivity enhancement, job creation, and fostering trade integration. Understanding the potential benefits and challenges associated with FDI can empower policymakers and investors to make informed decisions, optimizing FDI's contribution to sustainable and inclusive economic development in developing countries. This literature review contributes to a deeper understanding of the complex relationship between FDI and economic growth, industrialization, technological advancements, job creation, and trade dynamics in these regions.

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## 1. INTRODUCTION

The strategy for promoting significant economic growth and development is to encourage investment through capital investment (Hepburn & Stern, 2019). This applies not only to Indonesia but also to other developing countries. The history of investment development in Indonesia has been regulated through various laws, including Law No. 78 of 1958, Law No. 1 of 1967, Law No. 6 of 1968, Law No. 25 of 2007, and Law No. 11 of 2020

concerning capital investment (Pramono & Larasati, 2022). Through these laws, various aspects of investment, both in the form of domestic capital investment (PMDN) and Foreign Direct Investment (FDI), have been carefully regulated (Genthner & Kis-Katos, 2022; Suradiyanto, 2019). Foreign Direct Investment (FDI), where investors from one country directly invest their capital in companies or projects in another country, has become a significant source of capital for many developing countries, including Indonesia. In recent decades, the role of FDI in supporting economic growth in these countries has become increasingly crucial. FDI offers great potential to bring economic benefits and positive contributions to the recipient countries, and Indonesia is no exception. According to data from the second quarter of 2023, FDI into Indonesia increased by 14.2 percent on an annual scale, reaching a total of Rp 186.3 trillion (USD 12.59 billion). Although the growth rate was lower compared to the previous period, which recorded a surge of 20.2 percent, this increase remains a significant achievement in the past 1.5 years (Kartiko et al., 2021).

The primary sectors that received the largest FDI inflows were basic metals industries, followed by the transportation, warehousing, telecommunications, and chemical and pharmaceutical sectors. Major sources of FDI included Singapore, China, Hong Kong, Japan, and Malaysia. In a bid to further boost investments, the Indonesian government set an ambitious target to attract Rp 1,400 trillion (USD 95.5 billion) in investments, both domestic and foreign, for the current year (Bank Indonesia, 2023; The Jakarta Post, 2023). These actions reflect the government's commitment to creating a favorable and attractive investment environment and supporting sustainable economic growth in the future (Saraswati et al., 2022).

Indonesia, as a developing country, offers various investment potentials and opportunities, prompting measures to encourage FDI inflows. Opening doors to foreign investors is a crucial strategy to attract more capital, technology, and knowledge into the country (Widianatasari & Purwanti, 2021). Foreign investment brings positive impacts, such as enhancing technological capabilities, knowledge transfer, and access to international markets. Developing countries attract foreign investor interest due to their high growth potential, emerging markets, and abundant natural resources (Fernandez et al., 2020). On the other hand, foreign investors seek profitable investment and business expansion prospects. Collaboration through FDI creates mutually beneficial relationships, as developing countries gain capital, technology, and new management practices, while foreign investors benefit from growth and success in local markets. The government and businesses must foster a conducive investment climate by offering legal certainty, policy support, and a competitive business environment (Hayat, 2019).

Thus, Indonesia remains an attractive investment destination for foreign investors, enhancing FDI's contribution to the country's economic development (Hasibuan, 2017; BKPM, 2020; Bruhn et al., 2018; Ravinthirakumaran et al., 2020). Research on the impact of Foreign Direct Investment (FDI) on developing economies is gaining significance for several reasons. Firstly, the increasing inflow of FDI into these countries reflects foreign investors' interest in their economic potential, suggesting that FDI plays a pivotal role in shaping their economic prospect (Li & Tanna, 2019)s. Secondly, the impact of FDI on economic growth and development in developing countries is a topic of ongoing debate among economists and practitioners. Some studies argue that FDI can have a positive impact on economic growth by increasing productivity, generating employment opportunities, facilitating technology transfer, and enhancing industrial sectors in recipient countries. Conversely, others contend that FDI may lead to economic dependence, resource exploitation, or exacerbate social inequalities (Rahim Ridzuan et al., 2018).

The exploration of the impact of Foreign Direct Investment (FDI) on developing economies in this research carries both theoretical and practical implications. From a theoretical standpoint, the study addresses a significant knowledge gap by undertaking a

Systematic Literature Review (SLR) focused on understanding the intricate relationship between FDI and economic growth in developing countries. By synthesizing existing research, the study aims to contribute to the theoretical framework that elucidates how economic conditions and government policies in these nations shape the impact of FDI. This theoretical contribution is crucial for advancing the academic discourse on international business and economic development.

On a practical level, the research seeks to offer actionable insights for policymakers and investors operating in developing economies. The multifaceted nature of the relationship between FDI and economic growth, influenced by factors such as investment policies, intellectual property rights protection, political stability, and economic regulations, necessitates a nuanced understanding. By conducting a comprehensive SLR, the research endeavors to provide a knowledge base that can inform decision-making processes for policymakers and guide investment strategies for investors. This practical dimension of the research is vital for optimizing the benefits of FDI while mitigating associated risks, thereby fostering sustainable and inclusive economic development in developing countries. This research not only contributes to the theoretical understanding of the impact of FDI on developing economies but also aims to be a valuable resource for policymakers and investors. The synthesis of theoretical insights through an SLR and the practical implications for decision-makers underscore the research's holistic approach, aiming to bridge the gap between academic knowledge and its real-world application in the pursuit of sustainable and inclusive economic development in developing countries.

## 2. BACKGROUND OF THE STUDY

Investment, particularly Foreign Direct Investment (FDI), plays a pivotal role in fostering economic growth and development in developing countries like Indonesia. The country has enacted various laws over the years to regulate and facilitate investment, both domestic and foreign, underlining the importance of this economic strategy. FDI has become a significant source of capital for emerging economies and offers substantial benefits, including technological advancements, knowledge transfer, and access to international markets. In recent times, FDI has played a crucial role in Indonesia, with substantial investments in sectors like basic metals, transportation, telecommunications, and pharmaceuticals. The Indonesian government has set ambitious targets to attract substantial investments, aiming to create an appealing investment environment and promote sustainable economic growth. The research on the impact of FDI on developing economies is gaining importance as it holds significant implications. It is vital to understand how FDI influences economic growth, productivity, and societal aspects in these nations. While some studies suggest that FDI can positively affect growth and innovation, others raise concerns about potential dependence and exploitation. The effectiveness of FDI is also influenced by factors like investment policies, political stability, and economic regulations. The primary objective of this research is to conduct a comprehensive Systematic Literature Review (SLR) on the impact of FDI on developing economies. By doing so, it aims to provide valuable insights for policymakers and investors, enabling them to harness the potential benefits of FDI while mitigating associated risks. This research seeks to contribute to informed decision-making, supporting sustainable and inclusive economic development in developing countries.

## 3. RESEARCH METHOD

This article employs a scientific methodology approach, specifically a Systematic Literature Review (SLR). The SLR method was selected to ensure a systematic and comprehensive review of the relationship between digitization, internationalization,

Foreign Direct Investment (FDI), and their collective impact on the economies of developing countries. In this analysis, we utilized the SLR method to identify and analyze recent publication trends related to this topic, with a focus on studies published between 2015 and 2023. A rigorous literature search was conducted using the Scopus database, incorporating relevant keywords such as "Impact, Foreign Direct Investment, Economy, Developing Countries" to retrieve articles pertinent to our research objectives. Furthermore, a stringent process of data screening was employed, applying specific inclusion criteria to refine the literature pool and concentrate on studies that align with our research objectives. This step aimed to ensure the inclusion of only high-quality and relevant studies within the defined scope of our systematic literature review. The review encompasses various research designs that have been examined in accordance with the predetermined inclusion criteria. As a result, this article will offer a comprehensive and in-depth understanding of the Impact of Foreign Direct Investment on Economies in Developing Countries, considering the relevant aspects of digitization and internationalization. The research findings will be presented in structured and analytical tables, providing a clear and systematic overview of FDI's contributions to economic growth in developing countries

Table 1. Data Inclusion Criteria

Types	Inclusion
Publication Types	Research Articles
Year of Publication	2015 - 2023
Publication Source	International Publications
Language	English Language
Publication Standards	Scopus

*Source: Author (2023)*

In April 2023, we initiated our article search on the Scopus database ([www.scopus.com](http://www.scopus.com)), resulting in 300 published articles. After applying language restrictions to include only English publications, the number of articles was reduced to 164. We then introduced a time constraint, focusing on journals published between 2018 and 2023, which further reduced the count to 93 articles. Subsequently, when narrowing our search to specific subject fields, "investment" and "economy," we identified 61 relevant publications. Further refinement, selecting only "Articles" as the document type, left us with a final set of 21 articles. In this paper, our objective is to identify and analyze current publication trends related to Foreign Direct Investment and developing economies. To achieve this, we conducted a Systematic Literature Review (SLR) using the PRISMA flowchart as a guiding framework to ensure the selection of the most pertinent and high-quality articles. From the initial Scopus database search, we identified 21 articles. Through an assessment of titles, abstracts, and keywords, our selection was refined to 10 articles. After conducting a comprehensive review of the full texts, we included these 10 publications for descriptive analysis. The descriptive analysis within the literature review serves the purpose of providing valuable insights, which include: The distribution of articles per year, Identification of the most relevant journal, based on the highest number of articles. Analysis of the geographic distribution of authors, Co-citation analysis aimed at identifying influential articles.

#### 4. RESULTS AND DISCUSSION

The application of Entrepreneurship Management Principles in addressing the challenges of Startup Businesses has become highly important and urgent for their success in this increasingly competitive era. Startup businesses are characterized by their spirit of innovation, creativity, and courage to face new challenges. However, they also encounter fierce competition, limited resources, and rapidly changing markets. Therefore, by implementing entrepreneurship management principles, startups can optimize their

limited resources, adapt quickly to market changes, and face competition with innovative strategies. The objective of this implementation is to create a conducive work environment for creativity and innovation, strengthen managerial capacities, and add value to startup businesses, enabling them to grow and thrive sustainably in a competitive business ecosystem.

Table 2. Selected articles that meet the criteria

Author	Title	Method	Findings	Academic Field
Jude, C., & Leveuge, G.	Growth Effect of Foreign Direct Investment in Developing Economies: The Role of Institutional Quality.	Empirical Study analisis regresi, analisis statistik, dan pemanfaatan data ekonomi.	Related to the role of institutional quality in influencing the impact of Foreign Direct Investment on the growth of developing countries.	Economics
Kunle, A. M., Olowe, S. O., & Oluwafolakemi, F. O.	Impact of Foreign Direct Investment on Nigeria's Economic Growth.	Empirical Study analisis data ekonomi, model ekonometrik, atau analisis perbandingan untuk mengkaji dampak FDI terhadap pertumbuhan ekonomi	Concerns the impact of Foreign Direct Investment on the economic growth of Nigeria.	Business and Social Sciences
Ali, N., & Hussain, H.	Impact of Foreign Direct Investment on the Economic Growth of Pakistan.	Empirical Study	Deals with the impact of Foreign Direct Investment on the economic growth of Pakistan.	Economics
Li, C., & Tanna, S.	The Impact of Foreign Direct Investment on Productivity: New Evidence for Developing Countries.	Empirical Study	Pertains to the impact of Foreign Direct Investment on productivity in developing countries.	Economics
Dinh, T. T. H., Vo, D. H., The Vo, A., & Nguyen, T. C.	Foreign Direct Investment and Economic Growth in the Short Run and Long Run: Empirical Evidence from Developing Countries.	Empirical Study, regression analysis to test the relationship between FDI and economic growth.	Presents empirical evidence on the relationship between Foreign Direct Investment and economic growth in developing countries in the short and long run.	Finance and Risk Management
Burlea-Schiopoiu, A., Brostescu, S., & Popescu, L.	The Impact of Foreign Direct Investment on the Economic Development of Emerging Countries in the European Union.	Empirical economic analysis, comparative analysis, or econometric modeling.	Concerns the impact of Foreign Direct Investment on the economic development of emerging countries among the European Union member states.	Finance and Economics
Malaysia, P. E. D. I. (2019)	The Impact of Foreign Direct Investment, Labour Force, and External Debt on Economic Growth in Indonesia and	Empirical Study	Concerns the impact of Foreign Direct Investment, labor force, and external debt on economic growth in Indonesia and	Economics

Rahman, A. (2015)	Malaysia. Impact of Foreign Direct Investment on Economic Growth: Empirical Evidence from Bangladesh.	Empirical Study	Malaysia. Relates to the impact of Foreign Direct Investment on economic growth in Bangladesh.	Economics
Adeyeye, O. P. (2016)	Impact of Foreign Direct Investment on Economic Growth in Africa.	Empirical Study	Relates to the impact of Foreign Direct Investment on economic growth in Africa.	Management
Othman, B. J., Al-Kake, F., Diah, M. L. M., Othman, B., Hussein, S., & Hasan, N. M. (2019)	Impact of the Foreign Direct Investment on the Economy of the United Kingdom.	Empirical Study	Concerns the impact of Foreign Direct Investment on the economy of the United Kingdom.	Psychosocial and Rehabilitation
Trinh, N. H., & Nguyen, Q. A. M. (2015)	The Impact of Foreign Direct Investment on Economic Growth: Evidence from Vietnam.	Empirical Study	Relates to the impact of Foreign Direct Investment on economic growth in Vietnam.	Developing Country Studies

#### 4.1. The Role of Institutional Quality in the Impact of FDI on Growth in Developing Countries

Economic growth in developing countries is often seen as highly reliant on the influx of Foreign Direct Investment (FDI). However, recent research reveals that the impact of FDI on economic growth in developing countries is highly contingent on the quality of their institutions. Institutional quality encompasses elements such as legal stability, protection of intellectual property rights, regulatory clarity, and the effectiveness of public administration (Burlea-Schiopoiu et al., 2023). Institutions that are robust in these aspects can foster an environment conducive to long-term investment and growth. Research findings suggest that countries with good institutional quality tend to harness FDI more effectively, while those with weak institutions may fail to extract the maximum benefits of FDI. Institutional quality significantly moderates the relationship between FDI and economic growth. This underscores the importance of factors such as regulatory clarity and intellectual property rights protection in the context of FDI. Economic studies and economic data analyses support these findings, emphasizing the importance of considering institutional quality in the formulation of economic policies in developing countries. (Cahyadin & Sarmidi, 2019) Appropriate institutional reforms emerge as a strategic step for developing countries in creating an attractive investment climate (Samborskyi et al., 2020).

The existing references demonstrate that this perspective has a strong foundation in economic theory and policy development practices. For instance, the ideas put forth by reports from the World Bank, all underscore the relevance of institutional quality in economic growth. The emphasis on the right institutional reforms emerges as a strategic move for developing countries to create an attractive investment climate. This research provides robust insights into the significance of institutional quality in the influence of FDI on economic growth in developing countries. With a better understanding of the role of institutional quality in shaping the impact of FDI, developing countries can design more effective and sustainable policies to maximize the benefits of foreign investment and achieve enhanced economic growth. This presents a crucial challenge, yet it holds substantial potential for advancing the economies of developing nations.

#### 4.2. Implications of Institutional Quality in the Relationship between FDI and Economic Growth in Developing Countries

The impact of Foreign Direct Investment (FDI) on economic growth in developing countries has been a subject of intense debate in economic literature. FDI is considered a significant contributor to economic growth, but recent research has shed light on the crucial role of institutional quality in directing the impact of FDI. This article discusses the implications of institutional quality in the relationship between FDI and economic growth in developing countries. Institutional quality encompasses various factors, including legal stability, protection of intellectual property rights, regulatory clarity, and the effectiveness of public administration (Jugurnath et al., 2016; Rahman, 2015). Strong institutions in these aspects provide a solid foundation for foreign investment, which, in turn, can accelerate economic growth. However, countries with weak institutions may struggle to optimize the benefits of FDI.

Research findings suggest that better institutional quality tends to enhance the positive impact of FDI on economic growth (Berg & Ostry, 2017). Countries with strong institutions can create an attractive investment climate, whereas those with poor institutional quality may face barriers to harnessing FDI (Sung-Ming, 2014). References from economic studies support these findings. For example, in their book titled 'Why Nations Fail,' Daron Acemoglu and James A. Robinson argue that weak institutions can hinder economic growth. Furthermore, World Bank reports on the 'Ease of Doing Business' highlight the importance of factors such as investor protection and licensing efficiency in attracting foreign investment. The implications of these findings are that appropriate institutional reforms can be a key component in enhancing the attractiveness of developing countries for FDI and achieving sustainable economic growth (D. Awolusi & P. Adeyeye, 2016). The importance of aspects like regulatory clarity and protection of intellectual property rights in the context of FDI becomes evident. Further understanding of the role of institutional quality in the relationship between FDI and economic growth can assist developing countries in designing more effective and sustainable policies to maximize the benefits of foreign investment.

#### 4.3. The Contribution of FDI to Economic Development in European Countries: Positive Impacts on Growth, Employment, and Key Sectors

This article explores findings from empirical research focused on the contribution of Foreign Direct Investment (FDI) to economic development in European countries. The research methods involved economic data analysis, comparative analysis, and econometric modeling. Europe has been an attractive region for foreign investors due to its large market, skilled workforce, and access to advanced infrastructure and technology (Trinh et al., 2015). The research findings reveal that FDI has a significant positive impact on economic growth in European countries. Inflows of foreign capital have played a crucial role in accelerating regional economic growth (Burlea-Schiopoiu et al., 2023). FDI brings the additional capital needed to fund large-scale development projects, including infrastructure, manufacturing industries, and the service sector. This creates new job opportunities and enhances productivity, thereby reducing unemployment rates. Moreover, FDI has contributed to the development of key sectors within the European economy. For instance, in several European countries, FDI has propelled the growth of the manufacturing sector by introducing new technologies and efficient management practices, improving the competitiveness of European manufacturing industries in the global market (Demekas et al., 2007).

FDI has also played a pivotal role in the development of the service sector, including finance, tourism, and information technology. These findings align with various previous studies that support the positive contribution of FDI to economic growth. Research by Lipsey and Sjöholm (2005) found that FDI has a positive effect on the productivity of the manufacturing sector in various European countries. Research by Alfaro, Chanda,

Kalemli-Ozcan, and Sayek (2004) highlights the positive impact of FDI on economic growth through technology transfer, human capital enhancement, and export growth. The implications of these findings suggest that European countries need to consider measures to promote larger foreign investments as part of their economic development strategies. This involves improving the investment climate, reducing bureaucratic barriers, and offering attractive incentives to foreign investors (Balaam & Dillman, 2020a). This article provides essential insights for researchers, policymakers, and economic practitioners interested in the economic development of European countries. With a better understanding of the positive contribution of FDI, European nations can design policies that support sustainable economic growth, job creation, and the development of key sectors in their economies. Furthermore, the article underscores the urgency of maintaining an investment-friendly environment to attract more foreign investment and expedite economic development in Europe.

#### 4.4. Considerations of FDI, Labor, and Foreign Debt in Economic Growth: Complex Interconnections

This article delves into the evolving debate on the influence of Foreign Direct Investment (FDI), labor, and foreign debt in the context of economic growth (Balaam & Dillman, 2020b). While it does not provide a detailed account of the research methods employed, the importance of this topic concerning a nation's economic development cannot be overlooked. Economic growth stands as the primary goal for most nations globally, and to achieve it, a complex web of interrelated factors is often required. FDI represents one of the crucial elements that can bolster a country's economic growth. Foreign investment not only brings additional capital but also technology, management practices, and access to global markets. All these elements can have a positive impact on economic growth. Various studies, such as the one conducted by Blomström, Lipsey, and Zejan (1996), have highlighted the positive effects of FDI on economic growth. However, the relationship between FDI, labor, and foreign debt is more intricate. (Demekas et al., 2007) FDI can create new job opportunities, but if not managed properly, it may have adverse effects on the local workforce. Concerning foreign debt, some countries might need to borrow to support development projects financed by FDI (Dinh Phung et al., 2019). Therefore, it is crucial to understand how these three factors are interconnected and affect economic development. Research of this nature holds significant relevance in the fields of economics and economic policy. The insights obtained can aid policymakers in designing more effective economic development strategies. Prudent decision-making regarding FDI inflows, labor management, and foreign debt control is pivotal to achieving sustainable economic growth. This article underscores the importance of considering these factors concurrently to gain a more holistic understanding of how a nation can attain sustainable and inclusive economic growth. In an increasingly integrated and globalized era, the debate regarding FDI, labor, and foreign debt in the context of economic growth bears deep and pertinent implications for national economic policy formation.

#### 4.5 Discussions

This article delves into the ongoing debate surrounding the influence of Foreign Direct Investment (FDI), labor force dynamics, and external debt on economic growth. While not elaborating on the specific research methods employed, the significance of this topic concerning a nation's economic development cannot be overstated. Economic growth stands as the primary objective for most countries across the globe, and to achieve this, a complex and, at times, intertwined set of factors is imperative. FDI represents a pivotal factor in bolstering the economic expansion of a nation. Foreign investments do not merely bring in additional capital but also introduce new technologies, efficient management practices, and global market access (Berg & Ostry,

2017). All these elements can render a substantial positive impetus for economic growth. Numerous studies, like the research conducted by Dinh Phung et al., (2019)), have highlighted the beneficial effects of FDI on economic growth. However, the relationship between FDI, labor, and external debt is more intricate. FDI can indeed create new job opportunities but can also have detrimental effects on the local workforce if not managed prudently. Concerning external debt, some countries may need to borrow funds to support large-scale development projects funded by FDI. Therefore, it is crucial to comprehend how these three factors are interconnected and impact economic development. Such research carries profound relevance in the fields of economics and economic policy (Berg & Ostry, 2017). The knowledge acquired can substantially aid policymakers in formulating more effective economic development strategies (Van Bon, 2019). Prudent decision-making regarding FDI inflow, labor management, and external debt handling is vital in achieving sustainable economic growth. This article illustrates the importance of considering these factors holistically to obtain a more comprehensive understanding of how a nation can attain sustainable and inclusive economic growth. In an increasingly globalized world, the debate on FDI, labor, and external debt in the context of economic growth holds profound and pertinent implications for shaping national economic policy (Van Bon, 2019). Moreover, a deeper understanding of the diverse aspects associated with FDI's impact on economic growth can unveil more intricate dimensions of this relationship. The article underscores the interplay of several crucial factors, notably the quality of institutions. As demonstrated in the study by Jude and Levieuge, strong institutions characterized by legal stability, clear regulations, and effective public administration play a pivotal role in magnifying the positive influence of FDI. Nonetheless, these factors are context-dependent, with the impact of institutional quality potentially differing from one nation to another.

Furthermore, research findings from specific countries such as Nigeria, as presented by Kunle, Olowe, and Oluwafolakemi, emphasize that the influence of FDI on economic growth can exhibit significant variation based on the nation's unique context. Nigeria, grappling with distinct challenges such as economic policies and political stability, experiences a more intricate web of FDI effects. Such findings underscore the necessity of considering the idiosyncratic factors relevant to each nation when comprehensively analyzing the impact of FDI. Additionally, the critical role of productivity in the relationship between FDI and economic growth, as highlighted by Li and Tanna, cannot be overlooked. FDI contributes to the improvement of productivity by introducing new technologies and advanced management practices. This, in turn, serves as a catalyst for sustainable economic growth. It is evident from the review that there is a myriad of aspects to consider when assessing the impact of FDI on economic growth, encompassing the quality of institutions, country-specific contextual factors, and the influence on productivity. The multifaceted nature of this research emphasizes that a one-size-fits-all approach might not be appropriate in this context. As such, it is essential to consider the uniqueness of each nation and its circumstances when designing effective economic policies. The research findings underscore the significance of taking a holistic approach to understand the implications of FDI, labor, and external debt on economic growth. Furthermore, these findings bear significant implications for economic policy formulation and development strategies in countries aiming to harness the potential of FDI for sustainable economic growth. In today's rapidly globalizing world, gaining a more profound comprehension of how FDI can influence economic growth across various contexts becomes an invaluable asset to policymakers on a global scale

## 5. CONCLUSION

The results of the analyzed research depict the complexity of the relationship between Foreign Direct Investment (FDI) and economic growth, with aspects like institutional

quality, unique national contexts, productivity, labor force, and external debt as key elements moderating its impact. Strong institutional quality, characterized by legal stability and effective public administration, is found to support the positive effects of FDI, but this influence is highly contingent upon a country's specific context. The findings indicate that FDI can enhance productivity through technology transfer and new management practices but should be managed wisely concerning the local workforce and external debt management. In conclusion, a contextual and holistic approach is crucial in shaping economic policies, with a better understanding of how FDI can contribute to economic growth in diverse national settings as the key to achieving sustainable and inclusive growth in the current era of globalization.

## 6. Limitation and Future

The findings of the analyzed research highlight the intricate nature of the relationship between Foreign Direct Investment (FDI) and economic growth in developing countries. The study underscores the significance of factors such as institutional quality, unique national contexts, productivity, labor force, and external debt in moderating the impact of FDI. While strong institutional quality, characterized by legal stability and effective public administration, is identified as supportive of positive FDI effects, this influence is highly contingent upon the specific context of each country. The research suggests that FDI has the potential to enhance productivity through technology transfer and new management practices. However, prudent management is essential concerning the local workforce and external debt. The study recognizes limitations in generalization due to the diversity of developing countries, data constraints, and the dynamic nature of variables. Future research directions include longitudinal studies, in-depth national case studies, qualitative research for richer insights, policy-focused investigations, and assessments of the technological impact of FDI. Addressing these aspects will contribute to a more nuanced understanding of the FDI-economic growth relationship, facilitating the formulation of sustainable and inclusive economic policies in the era of globalization.

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