

## Investigating The Influence of Ease of Doing Business Over Foreign Direct Investment Inflows Mediated by Firm Creation and Moderated by Financial Sector Development

**Sadia Altaf**

*PhD Scholar, Institute of Management Studies, University of Peshawar*  
[sadia.altaf@uop.edu.pk](mailto:sadia.altaf@uop.edu.pk)

**Dr. Mumtaz Hussain Shah**

*Associate Professor, Institute of Management Studies, University of Peshawar.*  
[mhs@uop.edu.pk](mailto:mhs@uop.edu.pk)

### Abstract

*A decent level of foreign direct investment (FDI) is something every country would certainly endeavour to receive. However, it has been historically observed that some countries receive much more FDI than others. One reason for this could be the ease with which a foreign company can start or operate its business in a host economy. The current work scrutinises the impact of ease of doing business (EDB) on FDI in Pakistan with the mediating role of firm creation and the moderating effect of financial sector development. The population of this study included people who were practically engaged in the decision-making process in businesses in Pakistan. They are Entrepreneurs, Business Owners, Managers and Financial Officers. A sample of 373 respondents is analysed using Structural Equation Modelling (SEM) through SmartPLS-4 statistical package. It's found that EDB has a significant positive direct and indirect impact on inward FDI through firm creation and a negative moderating effect through financial sector development. These findings strongly support the hypothesis that an attractive business climate, which is determined by streamlined laws, clear-cut procedures, and effective institutional structures, favours the capacity of a nation to attract more foreign investors. To the policymakers, these findings highlight the need for improving the regulatory environment and financial infrastructure. This will enable the host nation to utilise the enhanced FDI inflows for promoting long-term economic progress, development and growth of their country.*

**Keywords:** *EDB, FDI, Firm Creation and Financial Sector Development.*

### Introduction

A welcoming business environment is essential in a country for attracting both local and foreign entrepreneurs (Ma & Clougherty, 2025). Governments around the world are introducing different reforms (legislative, tax and banking) to liberalise their economic and trade policies for promoting and encouraging local and foreign investors (Shah, 2013; 2018a; b). As a policy matter, there is a common belief that FDI improves host country productivity and promotes economic development (Shah & Zeb, 2017). It not only offers direct capital financing as an effective source of finance but also creates positive externalities via embracing foreign technology and know-how (Shah & Jamil, 2016; Trigeorgis & Miller, 2025).

There is a wide variation in business entry regulations across the world (Bertrand & Betschinger, 2024; Shah & Khan, 2019). This demands a thorough analysis for investigating the effects of these regulations on the economic outcome of the respective nations (Bruhn, 2011; Shah & Gulelala, 2017). There are various regulatory measures in market concerning specific entry barriers that negatively affect investment; therefore, the regulatory reforms, particularly those that liberalise entry, are likely to encourage investment (Alesina et al., 2005; Shah, 2019). Similarly, excessively strict regulations hinder new firm creation, particularly in industries that obviously have high entry barriers. In fact, such regulations only allow large size new entrants and often hinder growth of existing companies in the naturally high entry barrier industries (Klapper et al., 2006). Bruhn (2011) also noted that the care taken in devising entry regulations increases the quantity of registered businesses.

The investment climate, in terms of Ease of Doing Business (EDB) components, has a considerable effect on FDI (Bayraktar, 2015). FDI contributes to an economy's growth by a range of benefits (Shah & Tahir, 2024); however, there is still knowledge dearth apropos state policies and features that attract FDI (Shah, 2011). Besides this, governments are striving hard to devise supportive mechanisms and laws for their own benefit and to provide a healthy business environment to lure FDI (Shah & Azam, 2018). Nonetheless, definitive conclusions aren't available regarding EDB and FDI. Further research is needed (Shahadan et al., 2014). A crucial question arises as to what specific attributes of a country attract FDI, or in other words, what determines the level of FDI a state will receive (Shah & Sikander, 2025). A conducive business environment not only satisfies the existing investors but also attract new ones (Ianc, 2025; Islam et al., 2020).

Although EDB component has implications for FDI, native businesses are also affected by the processes, rules and regulations by the regimes that either can promote commerce supporting environs or restrict local firms from their entrepreneurial ambitions. Thus, establishment of local businesses also has relevance in EDB-FDI nexus (Friedrich Naumann Foundation, 2017). This has not so far been studied in the context of different states. The current research paper aims to investigate the effect of EDB on FDI with the mediating role of Firm Creation (FC) or establishment of new businesses.

While difficulties in doing business positively significantly affect capital flight, interaction of Financial Sector Development (FSD) with EDB has an adverse significant effect on it. Hence, to reduce capital flight, a sound well-reformed business environment needs to be embedded with stable, efficient and rigorously developed financial sector (Mawutor et al., 2021). If a financial system is not well-developed, it may create problem for EDB, hence limiting FDI and its effects on host states. Therefore, FSD either facilitates or deters the favourable impact of EDB on FDI. In this respect, the current research study also examines the moderating role of FSD on the relationship between EDB and FDI.

This study has significance in terms of academic and managerial implications. As regards the academic importance, the study extends Dunning's (2013) OLI model, as the main support base of the study's conceptual framework. It's then developed and tested through the formulated hypotheses. Based on the findings, the study will suggest new pertinent areas for future

researchers which also depict its academic vitality. Considering the managerial implications, findings of the study will be beneficial for the managers to not only understand the EDB and FDI rapport but whether and how *firm creation* as a mediator and *financial sector development* as a moderator can influence this relationship and hence, they may accordingly devise apposite policies at the firm level.

### Literature Review

The eclectic paradigm, or OLI Model, that stands for Ownership, Location and Internalisation, is an international business theory proposed by Dunning (1980) who identified that the tendency of a business to be involved in international production that is financed by FDI is dependent upon *Ownership, Location and Internalisation* (Shah et al., 2025). OLI paradigm is also applied in the current study as the main underpinning theory for studying the connexion amid ease of doing business (EDB) effects on MNCs FDI in terms of aspects of location, ownership and internalisation.

Jayasuriya (2011) highlighted that improvement in doing business significantly attracts FDI for an average country; however, for developing countries it was found that such favourable rankings have insignificant impact on FDI. EDB effectively enhances the favourable influence of economic distance on inward FDI (Shah, 2017; Al Khoori, 2021). The different indicators of EDB do affect inward FDI (Hassan et al., 2018). MogesEbero and Begum (2016) studying Ethiopia highlighted that some indicators of EDB do affect FDI. Haliti et al (2019) evaluating European Transition Economies found that factors such as: starting the business, property registration, electricity availability and insolvency resolution significantly and positively attracts FDI, while, the ones including dealing with the construction permits, credit availability, tax payment, protection of minority investors showed a negative impact. Anggraini and Inaba (2020) documented that EDB has a significant positive effect in various countries. It is a vital determinant of FDI as compared to other governance indicators, and hence, a favourable institutional as well as regulatory environment should be there to increase FDI inflows and correspondingly policies improving business supporting protocols need to be ratified to attract more MNCs (Mundakkad, 2021).

In light of the above literature, the following hypothesis is set:

$H_0$ : *Ease of Doing Business doesn't have a significant effect on FDI.*

$H_1$ : *Ease of Doing Business significantly effect FDI.*

Most of the published literature concludes that low entry regulations are linked with increased firm creation but some also provide evidence that very often firms created as a result of lessening entry regulations lack quality. Branstetter (2014) identified that entry reforms lead to firm creation and employment only among marginal firms. These companies would have been readily deterred by the existence of high entry regulations. Considering the extent to which firm creation affects FDI, the prevailing view holds that countries that more potently use the platform of existing firms can better attract new FDI. Noland (1999) identified that new firm creation may also affect competition in industry leading to involvement of anticompetitive practices which in turn may discourage foreign investors to invest in a particular sector. The discussion summarily depicts that there are negligible studies examining the influence of firm creation on FDI, although

EDB does affect FDI while firm creation influences their inter-relationship either positively or negatively.

Therefore, this study sets its second hypothesis as:

*H<sub>0</sub>: Firm creation doesn't mediate the relationship between ease of doing business and FDI.*

*H<sub>2</sub>: Firm creation mediates the relationship between ease of doing business and FDI.*

Sackey and Nkrumah (2012) asserted that governments should devise measures to encourage competition in financial sector to improve outreach and access to low-cost credit. This will enhance private sector development along with both local and foreign investment. It acts as an engine of growth and development. Thus, a sound financial sector presence is like a catalyst for businesses to flourish and attract FDI (Shah, 2018c). A substantially developed financial system is always expected to facilitate the ease of doing business component. Sharma and Paramati (2021) identified that FSD is significant to control corruption across low and lower middle-income nations as well as in upper middle and high-income ones, and so, contributes to a conducive business environment and attract investments. The above literature summarises that presence of a sound financial sector eases business conditions, thereby, attracting more FDI.

Therefore, the third hypothesis is:

*H<sub>0</sub>: Financial sector development doesn't moderate the relationship between EDB and FDI.*

*H<sub>3</sub>: Financial sector development moderates the relationship between EDB and FDI.*

### **Research Methodology**

In the present research, the research design is quantitative and cross-sectional to investigate the proposed relations between the variables (Shah & John, 2025). This is an explanatory design because it seeks to test a hypothesised model, where financial sector development is a moderating variable and firm creation a mediating variable between EDB and FDI. Survey-based approach is utilised. It enables the gathering of primary data represented by a varied sample of professionals in the Pakistani business environment. This method is considered suitable because it allows statistically testing the complex moderated-mediation relationships developed in the study. Hence, allowing the researchers to make inferences regarding the direct, indirect, and interaction effect in the model.

### **Population and Sample**

The population of this study includes people who are practically engaged in the decision-making process in Pakistani businesses. They're Entrepreneurs, Business Owners, Managers and Financial Officers. In order to get a broad perspective of the business environment, the research used a broad category of respondents including Manufacturing, Services, Trade, Agriculture, Technology, and Other Sectors. Moreover, the research covered diverse forms of business ownership, including Local, Foreign, Joint Venture, Public Sector, and Non-Profit Organisations. This heterogeneous sampling frame assures that the results present a wide range of views on Pakistani business environment.

Due to practical limitations of collection of a perfectly randomised sample of population, being widely dispersed, a non-probability convenience sampling method is used. This approach enabled

us to collect data from respondents who are easily available and willing to take part in data collection. The resulting sample size was 373 respondents, which suffices analysis with PLS-SEM. The sample size satisfies the general heuristic of surpassing by ten times the maximum count of formative factors (Hair et al., 2017), or the most significant number of structural paths towards a specific construct in the model, which will give it adequate statistical power to carry out the research.

### **Survey Questionnaire**

The instrument used in the data collection was a structured survey questionnaire which is subdivided into two large parts. The initial section represents the demographic and professional attributes of participants, such as their position, field of work, and form of business ownership. The second section included the multi-item scales of the four critical constructs of the study.

FDI inflows are measured with 5 items scale based on World Bank Enterprise Surveys and other established literature e.g., Ajide and Raheem (2016). It's operationalised on the perceived inflow and appeal of foreign investment, measured with Likert Scales of acceptable ranges of 1 to 5. To measure the construct of Ease of Doing Business a 10-item scale based on the World Bank Doing Business Index (Djankov et al, 2022) is used, with Likert Scale of 1 (Very Difficult) to 5 (Very Easy). The measurement of Financial Sector Development is based on access to finance, which is selected as part of the Global Findex (Demirgüç-Kunt et al., 2018) and the IMF FD Index, with 7 items Likert Scale of agreement ranges from 1 to 5. Firm Creation is measured using 7 items. The scale is based on the Global Entrepreneurship Monitor and World Bank Enterprise Surveys, measuring on Likert scale of agreement from 1 to 5. A pilot study was conducted involving a limited sample of academicians and practitioners to ascertain the clarity, relevancy and contextual adequacy of the questionnaire, before being applied on a large scale.

### **Statistical Package used for the Analysis**

PLS-SEM model was applied using SmartPLS software to analyse data. The analysis is done in two phases: the measurement model is tested in relation to reliability and validity such as: composite reliability, convergent validity through factor loadings and AVE, and discriminant validity. The structural model is tested to test the hypothesis of direct, mediating and moderating relationships, including the significance of path coefficients and the coefficient of determination ( $R^2$ ).

### **Analysis and Findings**

The findings of the study are provided in this section by starting with a profile of the sample demographics. The measurement and structural models are then analysed.

### **Assessment of Assumptions**

Before testing the structural model, diagnostic tests are performed to confirm the appropriateness of the data to be analysed. Harman Single-Factor Test is employed for Common Method Bias (CMB) statistically. The findings proved that only a single factor explained a total variance of 35.13 which is lower than the critical value of 50. This implies that common method variance does not present a major issue in this data. Thus, enhancing trust in validity of measured constructs (Podsakoff et al., 2003). Moreover, the data is tested for the normality assumption by

assessing the skewness and kurtosis of all indicator items. The analysis shows that this is a distinct non-normal distribution, which is typical of perceptual measurements in an organisational context. Nonetheless, this non-normality is not a concern of applied analytical tool, because PLS-SEM is a variance-based methodology. It is explicitly designed to be resistant to such distributional assumptions. That's why it should be used in this study (Cheung et al., 2024).

**Table 4.1:** demographic and firmographic profile of respondents (n=373)

Variable	Category	Frequency	Percentage (%)
Gender	Male	243	65
	Female	126	34
	Prefer not to say	4	1
Age (Years)	18–25 years	42	11
	26–35 years	128	34
	36–45 years	112	30
	46–55 years	62	17
	56 years and above	29	8
Qualification Attained	High school	21	6
	Diploma	38	10
	Bachelor's	164	44
	Master's	114	31
Job Position	Doctorate	36	10
	Entrepreneur	86	23
	Business Owner	104	28
	Manager	98	26
	Financial Officer	54	14
Industry Segment	Other	31	8
	Manufacturing	78	21
	Services	101	27
	Trade	66	18
	Agriculture	44	12
	Technology	59	16
Participation in Foreign Investment Projects	Other	25	7
	Yes	207	56
Access to Financial Services	No	166	44
	Yes	294	79
	No	79	21

### Sample Demographic Characteristics

Table 4.1 presents demographic and firmographic details of the 373 respondents of the survey. The gender of the sample was mostly male (65.1% or 243), whilst females made up only 33.8% (n = 126). Just a minor fraction (1.1%, n = 4) would not report their gender. Regarding age distribution, 26-35 years group made up the highest proportion (34.3%, n = 128), the next closest was the 36-45 years group (30.0%, n = 112), which means that the sample mostly comprised mid-career professionals. In terms of educational level, most respondents has a Bachelor's Degree (44%, n = 164) followed by Master's Degree (31%, n = 114) qualification. It indicates a well-

educated group of respondents. Entrepreneurs (23%, n= 86), Business Owners (28%, n= 104), and Managers (26%, n= 98) are well distributed and included in the occupational roles to ensure that their views are collected among key decision-makers.

**Table 4.2:** Reliability and Validity

Variables	Indicators	Loadings	Cronbach's Alpha	Composite Reliability	AVE
<b>Ease of Doing Business</b>	EDB1	0.81**	0.918	0.932	0.578
	EDB10	0.65**			
	EDB2	0.80**			
	EDB3	0.82**			
	EDB4	0.73**			
	EDB5	0.68**			
	EDB6	0.82**			
	EDB7	0.80**			
	EDB8	0.80**			
<b>Firm Creation</b>	EDB9	0.68**	0.849	0.885	0.524
	FC1	0.74**			
	FC2	0.73**			
	FC3	0.72**			
	FC4	0.72**			
	FC5	0.71**			
	FC6	0.73**			
<b>Financial Sector Development</b>	FC7	0.72**	0.838	0.878	0.507
	FSD1	0.63**			
	FSD2	0.71**			
	FSD3	0.72**			
	FSD4	0.71**			
	FSD5	0.73**			
	FSD6	0.73**			
<b>Foreign Direct Investment</b>	FSD7	0.76**	0.892	0.920	0.699
	FDI1	0.89**			
	FDI2	0.88**			
	FDI3	0.91**			
	FDI4	0.78**			
FDI5	0.71**				

#### Assessment of the Measurement Model

Internal Consistency Reliability: Cronbach's Alpha and Composite Reliability (CR) are used to test the internal consistency of the constructs. Table 4.2 demonstrates that the values of Cronbach's Alpha and CR are all above the threshold value of 0.70 (Hussey et al., 2025). Particularly, Cronbach's Alpha is between 0.838 (Financial Sector Development) and 0.918 (Ease of Doing Business), and CR is between 0.878 (Financial Sector Development) and 0.932 (Ease of

Doing Business). These findings show that the internal consistency reliability level of all constructs within the measurement model is high.

**Convergent Validity:** Convergent validity determining that how much indicators of a given construct converge is assessed with factor loading and AVE. The statistic regarding the indicator loadings are statistically significant ( $p < .01$ ) and greater than the acceptable value 0.70 (Cheung et al., 2024). Further, the Average Variance Extracted (AVE) of each construct exceeded the critical value of 0.50. This validate that all the constructs significantly explain the difference in their respective indicators, showing satisfactory levels of convergent validity.

**Discriminant Validity:** The Heterotrait-Monotrait (HTMT) ratio and the Fornell-Larcker criterion are used to assess the discriminant validity. This is assessed to ensure that the constructs in the model are not similar to each other. In the case of Fornell-Larcker criterion the square root of the AVE of each construct is established as exceeding its maximum correlation with any other construct (Fornell & Larcker, 1981). Moreover, the value of all HTMTs are observed to be below the conservative value of 0.85 (Henseler et al., 2015) meaning that the constructs have a greater variance with their respective indicators than with other constructs within the model.

The findings of the two tests together led to the conclusion that the measures have good discriminant validity.

### **Structural Model Results**

Bootstrapping procedure with 5,000 subsamples is used to test the hypothesised associations in the structural model. Table 4.3 displays the results for path coefficients, t-statistics, confidence interval, etc. and is interpreted below.

#### **Direct Path Model**

The findings on the direct paths show that there are strong positive correlations between the core constructs. First, the Ease of Doing Business (EDB) has a strong statistically significant positive impact on Firm Creation (FC) ( $b = 0.49$ ,  $t = 12.307$ ), where 24.3% of the variance is explained. This reinforces the fact that good business climate greatly facilitates entrepreneurial activities and opening of new companies. Second, there also is a positive strong direct impact of EDB on FDI inflows ( $b = 0.28$ ,  $t = 5.650$ ). Furthermore, Firm Creation ( $b = 0.26$ ,  $t = 4.614$ ) and Financial Sector Development (FSD) ( $b = 0.27$ ,  $t = 4.883$ ) have significant direct positive effect on FDI. The model jointly explains 34.7 percent of variance in FDI inflows, which denotes a significant explanatory power.

#### **Mediating Effect of Firm Creation**

The analysis validates the hypothesised mediating position of Firm Creation. The Ease of Doing Business has a positive and statistically significant indirect impact on Foreign Direct Investment Inflows via Firm Creation ( $b = 0.13$ ,  $t = 4.045$ ,  $p$ ). The mediation is established since the bootstrapped confidence interval (0.076, 0.199) does not include zero. This observation implies that one of the beneficial effects of EDB on FDI is indirectly transferred due to its capacity to encourage the establishment of new local companies.

### Moderating Effect of Financing Sector Development

The moderating effect results indicate a negative but in-significant interaction. The interaction term (EDB\*FSD) has a negative path coefficient, which is insignificant at the 0.05 level ( $b = -0.06$ ,  $t = 1.517$ ). This negative value indicates that the direct role for Ease of Doing Business in FDI inflows decreases as Financial Sector Development increases. That is, a more advanced financial sector seems to replace or put down the direct positive effect of regulatory reforms (EDB) on foreign investment attractiveness.

**Table 4.3:** Results of Structural Model

Path	Coefficient	T Statistics	Confidence Interval		R Square
			LCI	UCI	
EDB -> FC	0.49**	12.307	0.412	0.575	0.243
EDB -> FDI	0.28**	5.650	0.186	0.379	0.347
FC -> FDI	0.26**	4.614	0.159	0.382	
FSD -> FDI	0.27**	4.883	0.169	0.389	
<b>Mediating Model</b>					
EDB -> FC -> FDI	0.13**	4.045	0.076	0.199	
<b>Moderating Model</b>					
EDB*FSD -> FDI	-0.06**	1.517	-0.127	0.015	

### Discussion

This research study has shown that ease of doing business (EDB) has a significant and positive direct and indirect impact on inward FDI through firm creation (FC) and a negative moderating effect through financial sector development (FSD). These findings strongly support the hypothesis that an attractive business climate, which is determined by streamlined laws, clear-cut procedures, and effective institutional structures, favours the capacity of a nation to attract foreign investments. The positive effect of EDB on FDI is in accordance with previous empirical research showing that business reforms and regulatory efficiency enhance the investment climate (Jayasuriya, 2011; Anggraini & Inaba, 2020). The present study is in line with the findings of Hassan et al. (2018) and Mundakkad (2021). It verifies that increase in the indicators of starting a business, working with permits, and enforcing contracts has a significant stimulating impact on investor confidence and cross-border investments.

The mediating importance of firm creation also revealed a strong coefficient. This implies, that positive a business climate does not only directly influence FDI but also indirectly through boosting the establishment of new businesses. These findings are aligned with Bruhn (2011) who discovered that decreasing entry barriers increase the rate of firm registration and entrepreneurship. This creates a vibrant domestic business market indicating potential profitability to foreign investors. Additionally, the study supports the claim by Baglioni et al., (2020) that active firm creation between domestic and multinational corporations (MNCs) leads to increased linkages among enterprises, augmenting the advantages of FDI through technology spill-overs and supply chain integration. Such a mediating role supports the location and internalisation dimensions of the OLI paradigm (Dunning, 1980; 2013). In it the host-country settings minimise transaction costs and optimise operational efficiency making the internalisation of production and investment activity by MNCs more probable.

Interestingly, the moderating effect of financial sector development is found to be negative suggesting that further development of financial system as measured by financial system development exerts negative moderating effects. To some extent, this finding is in opposition to previous findings that highlight a complementary nature of financial development in improving FDI inflows (Asongu, 2014; Desbordes & Wei, 2017). One possible reason is that in financial systems that are well-developed, investors are more dependent on financial institutions in terms of stability and efficiency, and not regulatory reforms (Alfaro et al., 2010). This implies that there is a substitution effect, where financial markets developed in developed countries neutralise some of the benefits of ease-of-doing-business reforms. The other possible explanation is that FDI in financially mature economies could be drawn to technology-inspired and capital market-sophisticated sectors rather than administrative efficiency, effectively reducing the direct effect of EDB on FDI attraction.

Theoretically, this moderated mediation model is an expansion of the OLI paradigm, in which entrepreneurial dynamism and financial infrastructure are contingent mechanisms. It emphasises that although an attractive regulatory climate and the establishment of firms are crucial to attract FDI, the effectiveness of these reforms depends on the phase of financial sector development. The policymakers in the emerging economies such as Pakistan ought to therefore work towards a middle ground, strengthening the financial institutions and making the regulatory reforms sensitive to the requirements of the local entrepreneurs and foreign investors alike. The results add to the body of literature since they empirically support a more integrated theory of institutional quality, entrepreneurial activity, and financial infrastructure with respect to FDI inflows. Future research may utilise longitudinal data of several emerging economies to investigate whether this negative moderation of FSD continues at different levels of economic and institutional maturity.

### **Conclusion and Recommendations for Future Research**

This paper has analysed the effects of EDB on FDI inflows taking into consideration the mediating effect of Firm Creation, and the moderating effect of Financial Sector Development in the Pakistani business environment. The results have shown that favourable business environment has a great impact on FDI directly and indirectly by facilitating entrepreneurial activity. This serves the fact that simplified rules, effective bureaucratic procedures and open institutional structures are the main characters in attracting and retaining foreign investment. The findings support the OLI paradigm (Dunning, 1980, 2013) by confirming that locational advantages, including ease of doing business and entrepreneurial vitality make a country more attractive to multinational companies. The research, however, also confirms that FSD affects the relationship between EDB and FDI in a negative manner, which implies that the marginal gains of regulatory reforms decrease with the maturity of financial systems. This paradoxical result underscores a substitution effect, indicating that in an economy where the financial sector is mature, foreign investors can be more dependent on financial stability and institutional maturity and not necessarily business-entry reforms. This kind of insight underlines the importance of balanced policy approaches that develop financial sector and at the same time maintain business-facilitating reforms.

To the policymakers, the findings highlight the need to enhance the regulatory environment and financial infrastructure, so, that FDI inflows can be utilised to promote long-term economic growth. Efforts should be made to remove procedural barriers, increase credit accessibility to start-ups, and enhance institutional quality to gear up long-term investors' confidence. The research in future shall extend the model by adding macroeconomic variables (e.g., inflation, trade openness, governance quality) to the model in order to capture cross-country differences. Longitudinal or panel data would offer better causal evidence. Similarly, a comparative analysis between emerging and developed economies can be used to explain the moderating role of institutional maturity on EDB-FDI nexus. A combination of qualitative methods may also help to highlight the contextualised factors that affect foreign investment behaviour.

### References

- Ajide, K. B., & Raheem, I. D. (2016). Institutions-FDI nexus in ECOWAS countries. *Journal of African Business*, 17(3), 319-341.
- Al Khoori, Y. (2021). *Can Ease of Doing Business Shorten the Distance and Attract Foreign Direct Investment* (Doctoral dissertation, The British University in Dubai).
- Alesina, A., Ardagna, S., Nicoletti, G., & Schiantarelli, F. (2005). Regulation and investment. *Journal of the European Economic Association*, 3(4), 791-825.
- Alfaro, L., Chanda, A., Kalemli-Ozcan, S., & Sayek, S. (2010). Does foreign direct investment promote growth? Exploring the role of financial markets on linkages. *Journal of development Economics*, 91(2), 242-256.
- Anggraini, R. F., & Inaba, K. (2020). The impact of the ease of doing business on foreign direct investment. *The Ritsumeikan economic review: The bi-monthly journal of Ritsumeikan University*, 69(3), 393-421.
- Asongu, S. A. (2014). Financial development dynamic thresholds of financial globalization: Evidence from Africa. *Journal of Economic Studies*, 41(2), 166–195.
- Baglioni, E., Campling, L., & Hanlon, G. (2020). Global value chains as entrepreneurial capture: Insights from management theory. *Review of International Political Economy*, 27(4), 903-925.
- Bayraktar, N. (2015). Importance of investment climates for inflows of foreign direct investment in developing countries. *Business and Economic Research*, 5(1), 24-50.
- Bertrand, O., & Betschinger, M. A. (2024). Exploring the relationship between development aid and FDI from developed countries in developing countries: empirical insights from Japanese firm-level data. *Journal of International Business Studies*, 55(6), 782-795.
- Branstetter, L., Lima, F., Taylor, L. J., & Venâncio, A. (2014). Do entry regulations deter entrepreneurship and job creation? Evidence from recent reforms in Portugal. *The Economic Journal*, 124(577), 805-832.
- Bruhn, M. (2011). License to sell: the effect of business registration reform on entrepreneurial activity in Mexico. *The Review of Economics and Statistics*, 93(1), 382-386.
- Cheung, G. W., Cooper-Thomas, H. D., Lau, R. S., & Wang, L. C. (2024). Reporting reliability, convergent and discriminant validity with structural equation modeling: A review and best-practice recommendations. *Asia pacific journal of management*, 41(2), 745-783.
- Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring financial inclusion and the fintech revolution*. World Bank.

- Desbordes, R., & Wei, S. J. (2017). The effects of financial development on foreign direct investment. *Journal of Development Economics*, 127, 153-168.
- Djankov, S., Luksic, I., & Zhang, E. (2022). *Some evidence of regulatory convergence* (Discussion Paper No. 859). Financial Markets Group, London School of Economics. May 2022.
- Dunning, J. H. (1980). Toward an eclectic theory of international production: Some empirical tests. *Journal of international business studies*, 11(1), 9-31.
- Dunning, J. H. (2013). The eclectic paradigm of international production: A restatement and some possible extensions. *The eclectic paradigm: A framework for synthesizing and comparing theories of international business from different disciplines or perspectives*, 50-84.
- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39–50.
- Friedrich Naumann Foundation. (2017). 3 Reasons Why Ease of Doing Business in a Country is Important. Retrieved from <https://www.freiheit.org/sudost-und-ostasien/3-reasons-why-ease-doing-business-country-important>
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). *A primer on partial least squares structural equation modeling (PLS-SEM)* (2nd ed.).
- Haliti, B., Merovci, S., & Hetemi, A. (2019). The impact of the ease doing business indicators on foreign direct investment in the European transition economies. *Ekonomika*, 98(2), 19-32.
- Hassan, M. T., Hassan, Z., Shafiq, S., & Basit, A. (2018). Ease of doing business and its impact on inward FDI. *Indonesian Journal of Management and Business Economics*, 1(1), 52-65.
- Hussey, I., Alsalti, T., Bosco, F., Elson, M., & Arslan, R. (2025). An aberrant abundance of Cronbach's alpha values at .70. *Advances in Methods and Practices in Psychological Science*, 8(1).
- Ianc, N. B. (2025). How do effective taxation and institutions affect FDI nowadays? *Economic Change and Restructuring*, 58(3), 1-21.
- Islam, M. A., Khan, M. A., Popp, J., Sroka, W., & Oláh, J. (2020). Financial development and foreign direct investment-The moderating role of quality institutions. *Sustainability*, 12(9), 1-22.
- Jayasuriya, D. (2011). Improvements in the World Bank's ease of doing business rankings: do they translate into greater foreign direct investment inflows?. *World Bank Policy Research Working Paper*, (5787).
- Klapper, L., Laeven, L., & Rajan, R. (2006). Entry regulation as a barrier to entrepreneurship. *Journal of Financial Economics*, 82(3), 591-629.
- Ma, H., & Clougherty, J. A. (2025). Third-country MNEs, trade wars, and competitive opportunities: A real-options perspective. *Journal of International Business Studies*, 1-18.
- Mawutor, J. K. M., Gborse, F. C., Sogah, E., & Mensah, B. D. (2021). Doing Business and capital flight: Role of financial development. *Journal of Financial Economic Policy*. 14(4), 515-532.
- MogesEbero, E., & Begum, M. (2016). The desirability of doing business and flow of foreign direct investment nexus: The case of Ethiopia. *International Research Journal of Engineering and Technology*, 3(5), 2049-2057.

- Mundakkad, P. (2021). Ease of doing business and foreign direct investment inflows: Evidence from emerging economies. *Economic Research Guardian*, 11(1), 47-63.
- Noland, M. (1999). Competition policy and FDI: a solution in search of a problem?. Peterson Institute for International Economics (PIIE) Working Paper 99-3.
- Podsakoff, P. M., MacKenzie, S. B., Lee, J.-Y., & Podsakoff, N. P. (2003). Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88(5), 879–903.
- Sackey, F. G., & Nkrumah, E. M. (2012). Financial sector deepening and economic growth in Ghana. *Journal of Economics and Sustainable Development*, 3(8), 122-139.
- Shahadan, F., Sarmidi, T., & Faizi, F. J. (2014). Relationships between doing business indexes and FDI net inflows: Empirical evidence from six Asian countries. *Prosiding Persidangan Kebangsaan Ekonomi Malaysia ke*, 9(609-625).
- Shah, M. H. (2011). *Essays on foreign direct investment in developing countries* (Doctoral dissertation, University of Leicester).
- Shah, M. H., (2017). *Economic institutions & FDI in South Asia*. 6<sup>th</sup> International Institute of Social & Economic Sciences, Business & Management Conference, 27-30 June, 2017. Novotel, Geneva, Switzerland.
- Shah, M. H. (2018a). Foreign direct investment and trade related intellectual property rights (TRIPS): The case of Latin American & Caribbean developing economies. *NICE Research Journal of Social Science*. 11(1), 1-17.
- Shah, M. H. (2018b). Corruption and foreign direct investment: The case of South Asia? *PUTAJ Humanities and Social Sciences*, 25(1), 1-16.
- Shah, M. H. (2018c). Bilateral investment treaties and multinational investors: Evidence from FDI in MENA States. *University of Central Punjab (UCP) Paradigms*, 12(1), 94-102.
- Shah, M. H., (2019). *The puzzle of foreign direct investment in North Africa*. Workshop on the Political Economy of the Contemporary Middle East, Working Group I. 24<sup>th</sup>-25<sup>th</sup> February, 2019. Center for International and Regional Studies, George Town University, Doha, Qatar.
- Shah, M. H., (2021). *Adherence to Intellectual Property Rights Treaties/Conventions and FDI in Emerging Economies: Evidence from OECD Outward FDI*. Munich Summer Institute, 07-09 June, 2021. Bavarian Academy of Sciences and Humanities, Munich, Germany.
- Shah, M. H. (2023). Economic Institutions and Foreign Direct Investment in South Asia. *Journal of Business & Tourism*, 9(2), 13-29.
- Shah, M. H., Ali, I., & Kiramat, K. (2025). Theoretical Evolution of Foreign Direct Investment Theory. *The Journal of Humanities & Social Sciences*, 33(02).
- Shah, M. H., & Azam, A. (2018). Financial development and investors location choice in the Arab World. *International Journal of Business Studies Review*. 2(2), 58-74.
- Shah, M. H., & Gulelala. (2017). Autocracy, democracy and FDI inflows in Asian developing countries. *International Journal of Business Studies Review*. 2(1), 66-77.
- Shah, M. H., & Jamil, I. (2016). Trade agreements and transnational corporations presence in the developing Asia. *International Journal of Business Studies Review*. 1(1), 56-65.
- Shah, M. H., & John, S. E. (2025). Good Governance and Foreign Direct Investment in ASEAN. *The Journal of Humanities & Social Sciences*, 33(01), 21-53.
- Shah, M. H., & Khan, F. (2019). Telecommunication infrastructure development and FDI into Asian developing nations. *Journal of Business and Tourism*, 5(1), 91-102.

- Shah, M. H., & Sikander, H. (2025). Macroeconomic Prudence and Multinationals Investment in Latin America and Caribbean. *Journal of Business & Tourism, 11(01)*. 1-17.
- Shah, M. H., & Tahir, S. (2024). Multinationals and the State of Civil Liberties and Political Rights in Asia. *Journal of Business & Tourism, 10(02)*, 22-38.
- Shah, M. H., & Zeb, A. (2017). Prudent macro management of the economy and inward FDI in ASEAN member states. *International Journal of Business Studies Review. 2(2)*, 66-85.
- Sharma, C., & Paramati, S. R. (2021). Does financial development reduce the level of corruption? Evidence from a global sample of 140 countries. *International Journal of Finance & Economics, 26(4)*, 5093-5109.
- Trigeorgis, L., & Miller, S. R. (2025). Real option portfolios and the theory of the multinational enterprise: Understanding modes of international involvement in the digital economy. *Journal of International Business Studies*, 1-18.

