



Impact of Economic Freedom on FDI Inflows: A Comparative Study on Developing and Least Developed Country Groups

Thi Bich Thuy Dao

Faculty of Development Economics VNU University of Economics and Business, Hanoi, Vietnam

* Corresponding Author: **Thi Bich Thuy Dao**

Article Info

P-ISSN: 3051-3502

E-ISSN: 3051-3510

Volume: 07

Issue: 02

Received: 21-04-2026

Accepted: 23-05-2026

Published: 25-06-2026

Page No: 01-07

Abstract

The purpose of this paper is to investigate differences in the impact of economic freedom on FDI inflows between developing and least developed country groups. The study is conducted with 100 developing and least developed countries as classified by the United Nations in the period from 2005 to 2022. The Index of Economic Freedom published by the Heritage Foundation is employed and made use of its nine sub-indices. Applying two-step system GMM estimator, the finding reveals that aspects of economic freedom including property right, government integrity, monetary freedom, business freedom and investment freedom play as FDI stimulus factors in both developing and least developed country groups. Labor freedom and trade freedom have a positive effect on FDI inflows in least developed countries, while in developing countries, their effects are negative. Reduction in tax burden encourages the influx of FDI in least developed countries and has none effect in developing countries.

DOI: <https://doi.org/10.54660/IJMER.2026.7.2.01-07>

Keywords: Developing and least developed countries, Economic freedom, FDI inflows

1. Introduction

It is a wide belief that foreign direct investment (FDI) plays an important role in economic growth of developing countries. FDI not only brings in foreign capital to the host countries but is also considered as an effective source for local labor training, demonstration of managerial skills and expertise as well as a valuable channel for the transfer of advanced technologies. Thanks to the beneficial effect of FDI on economic growth, governments in developing countries actively pursue measures and incentives to lure FDI to their countries. Among the various determinants of FDI inflows, economic freedom emerges as a key factor to attract FDI. Economic freedom creates a more transparent and open environment which is conducive for business development. Reduction in regulatory hurdles, bureaucracy and corruption decreases transaction costs and makes it easier for foreign firms to do business. Strong institutions that ensure the rule of law and clearly defined and enforced property rights create a predictable and stable environment that enhances the confidence of foreign investors in making investment decisions. Increase in trade freedom lowers barriers to trade and allows firms to more easily import necessary inputs and export their products which makes investment in the country more appealing.

The relation between economic freedom and FDI inflows has captured significant attention from researchers and various studies have been conducted at both overall level and disaggregated level of economic freedom. To investigate the impact of economic freedom on FDI inflows globally, Moussa *et al.* (2016) conducted the study for 156 countries in the 1995-2013 period. Using the fixed-effects model, the finding reveals a positive impact of economic freedom on FDI in global case. At the regional level, economic freedom shows to have a largest positive effect on FDI inflows in Europe, and followed by Asia, Africa, North America, Latin America, Oceania, fragile regions, Sub-Saharan and Post-Soviet Union countries. The study by Singh and Gál (2020)^[16] found a positive impact of economic freedom on FDI inflows in North Europe and West Europe, South Asia and East Asia, and Latin America, while for East Europe and South Europe, the Middle East and North Africa, economic freedom has an insignificant effect on FDI inflows.

At the overall level, the majority found strong evidence that economic freedom has a positive impact on FDI inflows. Among these works are Sanchez-Robles and Bengoa-Calvo (2003)^[14] for 18 Latin-American countries, Quazi (2007)^[12] for 7 East Asian countries, Nasir and Hassan (2011)^[10] for South Asian countries, Moussa *et al.* (2016) for 156 countries, Hossain (2016)^[6] for 79 developing countries, Intiaz and Bashir (2017)^[7] for 20 South Asian countries, Barua *et al.* (2017)^[3] for 81 countries, Sooreea-Bheemul *et al.* (2020)^[17] for 40 Sub-Saharan African countries.

At the disaggregated level, researches aim to find out what dimensions of economic freedom matter to inward FDI and their results are mixed. Examining the effect of the various dimensions of economic freedom on FDI inflows in 95 countries during the 1995 to 2000 period, Sambharya and Rasheed (2013)^[13] found that higher FDI inflows to countries having better economic management (in terms of fiscal burden, inflation, banking and finance), less government participation and intervention (strong property rights and less regulation and corruption) and absence of wage and price controls. Ajide and Eregha (2014)^[1] studied the relation between economic freedom and FDI inflows in the twelve ECOWAS countries in the period from 1995 to 2010. Using fixed and random effect models for panel data analysis, they found that financial freedom and freedom from corruption enhance the inflows of FDI while business freedom acts as a drag to FDI attraction. The results call for the need to promote a sound financial system environment and regulate unfettered business freedom. Using panel data analysis for a sample of 79 developing countries in the 1998-2014 period, Hossain (2016)^[6] showed that 10 dimensions of economic freedom including property rights, government size, freedom from corruption, fiscal freedom, monetary freedom, business freedom, labor freedom, trade freedom, investment freedom and financial freedom are positive determinants of inward FDI. Higher economic freedom is needed for foreign entrepreneurs to build up confidence to make investment in the host countries. Sooreea-Bheemul *et al.* (2020)^[17] took a sample of 40 Sub-Saharan African countries during the 1997-2016 period. Applying both Index of economic freedom by Heritage Foundation and Economic freedom of the world index by Fraser Institute, the finding shows that labor freedom, business freedom, monetary freedom and low tax burden and size of government have a positive effect on FDI while property right and trade freedom have a negative effect. Meanwhile, study by Dia and Ondo (2023)^[4] for 41 Sub-Saharan African countries over the period 2000-2020 concluded that size of government and legal system and property rights have a positive impact on FDI inflows while the impact of sound money, regulation and freedom to trade is insignificant. Using the system-GMM estimation approach for the sample of 127 countries in the period from 2000 to 2018, Tag and Degirmen (2022)^[18] argued that foreign direct investment is more attracted to countries with higher level of economic freedom regarding to rule of law, trade freedom and regulations.

While there is a common view on the positive effect of overall economic freedom on FDI inflows, the effect of various aspects of economic freedom on inward FDI still remains questionable. Besides, lack of studies compared the effect of economic freedom on FDI inflows between country groups by different level of development. By level of development, the United Nations distinguish least developed

from developing countries. Least developed countries are poorest countries within developing nations which are characterized by low income and low levels of human assets like health and education. Weak economies with very low levels of industrialization and heavily dependence on agriculture and exportation of primary products make the countries highly vulnerable to economic and environmental shocks. Since there is a significant distinction between least developed and developing countries, the question that arises is would the impact of economic freedom on FDI inflows differ between these two country groups? Answering to this question would offer a handful help for governments in making economic freedom policies to attract FDI. This study aims to explore the impact of economic freedom on FDI inflows in developing and least developed countries. The rest of the paper is organized as follows. The next section provides model specification, data and methodology. Results and discussion are followed and finally is the conclusion.

2. Model specification, data and methodology

To assess the impact of economic freedom on FDI inflows, the model is specified with FDI inflows being the dependent variable and dimensions of economic freedom being the explanatory variables along with control variables including market size, infrastructure development and public debt. As argued by Hornberger *et al.* (2011)^[5] among others, the size and growth potential of markets are significantly associated with the influx of FDI. Well development of infrastructural facilities like transport networks, telecommunication system and electricity and water transmission infrastructure increase productivity and ensure higher profitability and therefore attracts FDI (Kaur *et al.*, 2016)^[8]. Various studies (Azam and Khan, 2011; Oche *et al.*, 2016; Shiyalini and Suresh, 2022)^[2, 11, 15] claimed for the effect of public debt on FDI inflows.

$FDI = F(\text{Market size, Infrastructure development, Public debt, Economic freedom})$

where *FDI* is FDI inflows measured as net inflows of FDI in percentage of GDP. Market size is measured by GDP growth rate. A proxy measurement for infrastructure development is the rate of urbanization which is measured as percentage of population living in urban area. Public debt is measured as total government debt in percentage of GDP. The study makes use of the Index of Economic Freedom published by the Heritage Foundation to measure economic freedom. The Index of Economic Freedom is a comprehensive view of economic freedom that comprises of 12 dimensions or sub-indexes of economic freedom. Due to data availability, 9 out of 12 dimensions of economic freedom are used in this study. The score for each sub-index ranges from 0 to 100 with a higher score means the increase in economic freedom that it nominates. Economic freedom contains a set of these nine variables. Data for FDI inflows, GDP growth and rate of urbanization is taken from World Development Indicators (World Bank). Data for public debt is taken from World Economic Outlook Database (International Monetary Fund). The empirical study consists of 100 countries including 65 developing countries and 35 least developed countries and covers the period from 2005 to 2022.

In the model, GDP growth and public debt are potentially endogenous variables then with the presence of endogeneity problem, two-step system GMM is chosen to use in the study. The regression equation is specified as follows.

$$FDI_{i,t} = c + \beta_1 FDI_{i,t-1} + \beta_2 GRGDP_{i,t} + \beta_3 URB_{i,t} + \beta_4 DEBT_{i,t} + \sum \beta_k EFR_{i,t} + \sum \beta_l D * EFR_{i,t} + e_{i,t} \quad (1)$$

where $FDI_{i,t}$ is lagged FDI inflows, $GRGDP$ is GDP growth rate, URB is infrastructure development, $DEBT$ is public debt, EFR is a set of nine dimensions of economic freedom including property right (PPR), government integrity (GIN), tax burden (TAB), government spending (GSP), business freedom (BUF), labor freedom (LAF), monetary freedom (MOF), trade freedom (TRF), and investment freedom (INF). To consider differences in the impact of economic freedom on FDI inflows between developing and least developed countries, one dummy variable is introduced into the model. D is Dummy – Least developed country which takes value of

1 for least developed countries and 0 for other. In the equation, country is denoted by subscript i and time (in year) is denoted by subscript t .

Since the period of time in the sample is 18 years, time series require to test for stationarity of key variables in the model which are FDI inflows and nine dimensions of economic freedom. The Im-Pesaran-Shin unit-root test shows that variables including FDI, government integrity, tax burden, government spending, business freedom, monetary freedom, trade freedom and investment freedom are stationary at the level and other two variables including property right and labor freedom are stationary at the first difference. These two variables are then integrated of order 1.

Table 1: Im-Pesaran-Shin unit-root test

| Variable | Level | First difference | Decision |
|----------|------------|------------------|----------|
| FDI | -10.076*** | | I(0) |
| PPR | 0.325 | -18.070*** | I(1) |
| GIN | -5.953*** | | I(0) |
| TAB | -3.615*** | | I(0) |
| GSP | -3.161*** | | I(0) |
| BUF | -4.256*** | | I(0) |
| LAF | 0.596 | -16.126*** | I(1) |
| MOF | -7.204*** | | I(0) |
| TRF | -7.165*** | | I(0) |
| INF | -2.576*** | | I(0) |

Note: *** p < 0.01, ** p < 0.05, * p < 0.1.

The correlation matrix for independent variables shows that except for the government integrity variable (GIN), there are low correlations among each pair of independent variables. Moreover, the VIF value for GIN variable is higher than 2

while for other variables the VIF value is less than 2. To avoid multicollinearity problem, GIN variable is separated from the rest variables on economic freedom to run regression.

Table 2: Correlation matrix

| | GRGDP | DEBT | URB | PPR | GIN | TAB | GSP | BUF | LAF | MOF | TRF | INF | VIF |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|------|
| GRGDP | 1.000 | | | | | | | | | | | | 1.09 |
| DEBT | -0.141 | 1.000 | | | | | | | | | | | 1.13 |
| URB | -0.143 | 0.023 | 1.000 | | | | | | | | | | 1.59 |
| PPR | -0.072 | 0.014 | 0.006 | 1.000 | | | | | | | | | 1.01 |
| GIN | -0.045 | 0.102 | 0.539 | 0.039 | 1.000 | | | | | | | | 2.19 |
| TAB | 0.039 | -0.005 | 0.298 | 0.032 | 0.234 | 1.000 | | | | | | | 1.22 |
| GSP | 0.103 | -0.162 | -0.191 | -0.001 | -0.185 | 0.002 | 1.000 | | | | | | 1.11 |
| BUF | -0.063 | 0.085 | 0.434 | 0.027 | 0.636 | 0.274 | -0.150 | 1.000 | | | | | 1.81 |
| LAF | -0.015 | -0.051 | -0.021 | -0.000 | -0.051 | -0.032 | 0.042 | -0.017 | 1.000 | | | | 1.01 |
| MOF | -0.049 | 0.034 | 0.168 | 0.041 | 0.311 | -0.000 | 0.039 | 0.251 | -0.024 | 1.000 | | | 1.24 |
| TRF | -0.044 | -0.087 | 0.400 | 0.043 | 0.449 | 0.316 | -0.008 | 0.397 | 0.019 | 0.164 | 1.000 | | 1.65 |
| INF | -0.107 | 0.114 | 0.333 | 0.024 | 0.463 | 0.087 | -0.012 | 0.391 | -0.022 | 0.387 | 0.463 | 1.000 | 1.65 |

3. Results and discussion

The regression results are provided in Table 3. As can be seen from this table, market size has a positive effect on FDI inflows in all country groups. FDI is attracted to countries that experience high economic growth. The effect of

infrastructure development on FDI inflows is positive implying that better quality of infrastructure accompanied with the progress of urbanization attract more inflow of FDI. Public debt acts as a hinder to FDI inflows.

Table 3: Factors affecting FDI inflows in developing and least developed country groups

| Explanatory variables | Coef. Std. Err. | Coef. Std. Err. |
|---------------------------------------|---------------------|--------------------|
| FDI ₁ : Lagged FDI inflows | 0.520***(0.003) | 0.537***(0.003) |
| GRGDP: Market size | 0.103***(0.011) | 0.071***(0.010) |
| URB: Infrastructure development | 0.025***(0.004) | |
| DEBT: Public debt | -0.007***(0.003) | -0.072***(0.006) |
| GIN: Government integrity | | 0.051***(0.008) |
| Dummy – Least developed country | | 0.024***(0.009) |
| PPR: Property right | 0.014***(0.006) | |
| Dummy – Least developed country | 0.019*(0.010) | |
| TAB: Tax burden | 0.001(0.012) | |
| Dummy – Least developed country | 0.040***(0.016) | |
| GSP: Government spending | 0.001(0.004) | |
| Dummy – Least developed country | -0.006(0.007) | |
| BUF: Business freedom | 0.039*** (0.011) | |
| Dummy – Least developed country | -0.025(0.019) | |
| LAF: Labor freedom | -0.030***(0.009) | |
| Dummy – Least developed country | 0.053***(0.011) | |
| MOF: Monetary freedom | 0.046***(0.012) | |
| Dummy – Least developed country | -0.030***(0.013) | |
| TRF: Trade freedom | -0.027***(0.010) | |
| Dummy – Least developed country | 0.045***(0.014) | |
| INF: Investment freedom | 0.016***(0.005) | |
| Dummy – Least developed country | -0.015(0.010) | |
| Year dummies | Yes | Yes |
| AR(1) test (p-value) | 0.002 | 0.005 |
| AR(2) test (p-value) | 0.632 | 0.421 |
| Hansen test (p-value) | 0.185 | 0.202 |
| Number of instruments | 87 | 72 |
| Number of observations | 1669 | 1677 |

Note: *** p < 0.01, ** p < 0.05, * p < 0.1.

There are significant differences in the impact of economic freedom on FDI inflows in the two country groups. In the developing country group, 7 out of 9 dimensions of economic freedom show to have an impact on FDI inflows. Among them, property right, government integrity, business freedom,

monetary freedom and investment freedom have a positive effect on inward FDI while the effect of labor freedom and trade freedom is negative. In the least developed country group, except for government spending has none effect, all other dimensions of economic freedom have a positive effect on inward FDI.

Table 4: Impact of economic freedom on FDI inflows in developing and least developed country groups

| | Developing country group | Least developed country group |
|---------------------------|--------------------------|-------------------------------|
| PPR: Property right | 0.014 | 0.033 |
| GIN: Government integrity | 0.051 | 0.075 |
| TAB: Tax burden | None | 0.040 |
| GSP: Government spending | None | None |
| BUF: Business freedom | 0.039 | 0.039 |
| LAF: Labor freedom | -0.030 | 0.023 |
| MOF: Monetary freedom | 0.046 | 0.016 |
| TRF: Trade freedom | -0.027 | 0.018 |
| INF: Investment freedom | 0.016 | 0.016 |

Source: Authors' calculations from regression results in Table 3.

In the two country groups, improvement in property right, government integrity, business freedom, monetary freedom and investment freedom attract more FDI inflows, though the size of the effect varies.

Property rights and an efficient rule of law provide protection for private ownership of both real and intellectual property. Secure property rights reduce the likelihood of unfair expropriation or theft and infringement of copy right and so give foreign firms more confidence to undertake entrepreneurial ventures in the host country.

Higher government integrity lowers prevalence of corruption. Corruption takes various forms from petty informal payments to public service providers to the systemic corruption of government institutions in such practices as bribery, patronage, embezzlement and graft. The systemic corruption of government institutions takes much of concern since it violates the principles of fair and equal treatment which are essential elements in an economically free society. Corruption is well understood to create cost burdens on businesses.

Lack of transparency and excessive and redundant government regulations provide opportunities for corruption. To gain access to beneficial information or to acquire legal documents necessary to run their business, firms have strong incentive to pay bribery to government officers. However, since some firms can take advantages over others, this leads to unfair competition among them. Even worse, if this activity triggers a rush among firms to push up the bribery, it will end up with huge cost burdens on firms but yet there is no guarantee that firms will gain the benefits that the bribery is supposed to pay for. High risk and uncertainty is the result. With improvement in government integrity, corruption is likely to reduce and this gives investors more incentive to undertake new investment ventures. The higher the government integrity, the higher the FDI inflows to the country.

Improvement in business freedom reduces burdensome and redundant regulations and therefore lowers costs of doing business and higher profitability. More even and transparent regulations lower the regulatory burden imposed on firms and create more stable business environment which facilitate long-term business commitment. Higher business freedom reduces entrant barriers to new business and make it easier for new firms to have a license. More FDI is attracted to countries with improvement in business freedom.

A stable currency preserves its value and makes it easier for firms to engage in planning for long-term investments. Monetary policies conducted by the government in a country can significantly influence the value of the country's currency. Higher monetary freedom implies a higher commitment of the government to conduct monetary policies endeavors to fight inflation which help to maintain price stability and preserve the nation's wealth. Under such condition, people can rely on market prices for the foreseeable future. Firms are more confident to make long-term plans and more able to achieve the efficiency of allocation of resources which lower the costs of doing business. As well expected, FDI is more attracted to the countries having higher monetary freedom.

In an ideally free and open investment environment, capital can flow to seek for the highest returns. Reductions in restrictions of international capital movement increase the opportunities for foreign capital to flow into domestic countries. However, in many countries, governments specify certain areas in which foreign firms can operate and this obviously limits the choices for foreign investors. By increasing the number of allowed areas for foreign firms, the degree of investment freedom in the host country raises which enables foreign firms to direct their funds to sectors and activities where they are most productive and therefore can earn higher returns on their investments. Foreign investors have more incentive to establish their physical presence in the countries with higher investment freedom since they have more choices for the efficient allocation of resources and achieve higher productivity.

Reduction in tax burden stimulates inward FDI in least developed countries. Government taxes come with different types including direct and indirect taxes. Lower direct taxes result in a larger share of profits that firms can keep. Reduction in indirect taxes increase wealth of people who with higher purchasing power can demand for more goods produced by firms.

Noticeably, trade freedom has opposite sign effects on inward FDI in the two country groups. Improvement in trade freedom encourages FDI inflows in the least developed country group but discourages FDI inflows in the developing country group. This may be due to different forms of FDI. In least developed countries, natural resource-seeking FDI may favor exploitation of natural resources endowed in the host countries or engage in primary industries that require low level of technologies and less skilled labor. Freedom in trade reduces trade restrictions and makes it easier for foreign firms to export their products and therefore they have more incentive to invest in the host countries. In contrast, market-seeking FDI prevails in developing countries. Foreign direct investment enables foreign firms to produce and supply foreign goods in the host countries. Trade freedom increases imports of foreign goods which directly compete with those goods produced by foreign firms to serve the domestic market. As a result, lower profitability discourages foreign firms to invest in the host countries.

Labor freedom plays as a FDI stimulus factor in the least developed country group but impedes the inflow of FDI in the developing country group. Labor freedom demands the freedom of individuals and businesses in the labor market. Individuals are free to find employment opportunities and work and so does for businesses when they are able to freely hire workers and dismiss redundant workers when the workers are no longer needed. This is well described by the principle of voluntary exchange. The fact that in many countries, government intervene in labor market by taking a variety of labor regulations including minimum wage law or other wage controls, limits on working hours, standard workplace conditions, restrictions on hiring and firing, and other constraints. Such rigid labor regulations prevent firms and workers from freely negotiating for terms and conditions of work, and results in a mismatch of labor supply and demand. For this, government intervention causes an impediment to the efficient functioning of labor markets. Relaxation in labor regulations would raise the level of labor freedom which enables firms to have more flexibility in their labor employment. As a result, firms have more chance to pursue optimal choices of inputs under changing conditions which lower costs of production and leading to higher profits. Labor freedom has two-side effects on foreign firms. On the one hand, higher labor freedom gives more chance for firms to have flexibility in their labor employment which enables them to earn higher profits and therefore attracts more FDI to the country. This is an enhancing effect of labor freedom on FDI inflows. On the other hand, labor freedom means higher possibility of losing skilled workers to competitors and this would be a severe problem in countries that have shortage of skilled labor force. Besides, workers who have been employed in foreign firms once shift their jobs to domestic firms not only benefits domestic firms with the skills they acquired but also the knowledge that they learned about foreign firms' ways of doing business. This would reduce the competitive advantage of foreign firms over their domestic competitors and acts as a hinder to the inflow of FDI. The net effect of labor freedom on FDI inflows depends on which effect dominates the other. In least developed countries, natural resource-seeking FDI may engage in primary industries that require less skilled labor and seek for cheap labor cost.

The enhancing effect of labor freedom dominates its hinder effect leading to a positive effect of labor freedom on FDI inflows. In developing countries, efficient-seeking FDI in order to practice advanced technologies in the host countries require skilled workers and they are more concerned with keeping skilled workers and low labor turnover. The hinder effect of labor freedom outweighs its enhancing effect causing a negative effect of labor freedom on FDI inflows.

4. Conclusion

Economic freedom plays as a key factor that drives in FDI to the host countries. However, economic freedom may have different impacts on FDI inflows, depending on the country level of development. This study explores differences in the impact of economic freedom on FDI inflows between least developed and developing countries and toward this end the study is conducted with 100 countries worldwide over the 2005-2022 period. The finding reveals that dimensions of economic freedom have significant impacts on FDI inflows, though with different sizes in the two country groups. In both country groups, FDI is more attracted into countries that have stronger property right, higher government integrity, business

freedom, monetary freedom and investment freedom. In the least developed country group, government integrity is found to have strongest positive impact on FDI inflows, followed by lower tax burden, business freedom, property right, labor freedom, trade freedom and finally is monetary and investment freedom. In the developing country group, government integrity has the highest impact on FDI inflows. The impact of monetary freedom comes second, followed by business freedom, investment freedom and finally property right has a lowest impact. Labor freedom and trade freedom impede the inflow of FDI while lower tax burden has no effect on FDI inflows in the developing country group. These results call for the need to promote economic freedom for the sake of FDI attraction. However, economic freedom policies may differ among the two country groups. In least developed countries, priority should be given to the improvement in government integrity, business freedom, property right and the reduction in tax burden. Meanwhile, governments in developing countries should emphasize on the improvement in government integrity, monetary freedom, business freedom, and investment freedom.

Appendix: List of countries in the study

| | |
|--|---|
| Least developed countries (35 countries) | Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Congo (D.R.), Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Lao, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Tanzania, Togo, Uganda, Zambia. |
| Developing countries (65 countries) | Algeria, Argentina, Bahamas, Bahrain, Barbados, Belize, Bolivia, Botswana, Brazil, Cabo Verde, Cameroon, Chile, China, Colombia, Congo, Costa Rica, Côte d'Ivoire, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Gabon, Ghana, Guatemala, Honduras, Hong Kong, India, Indonesia, Iran, Israel, Jamaica, Jordan, Kenya, Korea (Republic), Kuwait, Lebanon, Maldives, Malaysia, Mauritius, Mexico, Mongolia, Morocco, Namibia, Nicaragua, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Qatar, Saudi Arabia, Singapore, South Africa, Sri Lanka, Suriname, Thailand, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates, Uruguay, Viet Nam. |

References

- Ajide K, Eregha P. Economic freedom and foreign direct investment in ECOWAS countries: a panel data analysis. *Appl Econom Int Dev*. 2014;14(2).
- Azam M, Khan AU. Impact of public debt on foreign direct investment in Pakistan: a quantitative approach. *Elixir Financ Manag*. 2011;38:4225-7.
- Barua S, Naym J, Hazera-Tun-Nessa. Economic climate, infrastructure and FDI: global evidence with new dimensions. *Int J Bus Econ*. 2017;16(1):31-48.
- Dia I, Ondo H. Does economic freedom improve FDI inflows in Sub-Saharan Africa? *J Econ Integr*. 2023;38(3):383-410.
- Hornberger K, Battat J, Kusek P. Attracting FDI: how much does investment climate matter? Washington (DC): World Bank Group, Financial and Private Sector Development Vice Presidency; 2011. Note No. 327.
- Hossain MS. Foreign direct investment, economic freedom and economic growth: evidence from developing countries. *Int J Econ Finance*. 2016;8(11):200-14.
- Imtiaz S, Bashir MF. Economic freedom and foreign direct investment in South Asian countries. *Theor Appl Econ*. 2017;24(2):277-90.
- Kaur M, Khatua A, Yadav SS. Infrastructure development and FDI inflow to developing economies: evidence from India. *Thunderbird Int Bus Rev*. 2016;58(6):555-63.
- Moussaa M, Çaha H, Karagöz M. Review of economic freedom impact on FDI: new evidence from fragile and conflict countries. *Procedia Econ Finance*. 2016;38:163-73.
- Nasir ZM, Hassan A. Economic freedom, exchange rates stability and FDI in South Asia. *Pak Dev Rev*. 2011;50(4):423-32.
- Oche MO, Mah G, Mongale I. The effects of public debt on foreign direct investment in South Africa (1983–2013): an empirical analysis. *Risk Gov Control Financ Mark Inst*. 2016;6(4):448-56.
- Quazi R. Economic freedom and foreign direct investment in East Asia. *J Asia Pac Econ*. 2007;12(3):329-44.
- Sambharya RB, Rasheed AA. Does economic freedom in host countries lead to increased foreign direct investment? *Competitiveness Rev*. 2015;25(1):2-24.
- Sanchez-Robles B, Bengoa-Calvo M. Foreign direct investment, economic freedom and growth: new evidence from Latin-America. Santander: Universidad de Cantabria; 2003. Economics Working Paper No. 4/03.

15. Shiyalini S, Suresh K. The impact of public debt on domestic and foreign direct investments in developing market: an ARDL bounds testing approach. *Corp Law Gov Rev.* 2022;4(1):8-18.
16. Singh D, Gál Z. Economic freedom and its impact on foreign direct investment: global overview. *Rev Econ Perspect.* 2020;20:73-90.
17. Sooreea-Bheemul B, Rasool US, Sooreea R. Does economic freedom matter to foreign direct investment in Sub-Saharan Africa. *Int J Econ Financ Issues.* 2020;10(3).
18. Tag M, Degirmen S. Economic freedom and foreign direct investment: are they related? *Econ Anal Policy.* 2022;73:737-52.

How to Cite This Article

Dao TBT. Impact of economic freedom on FDI inflows: a comparative study on developing and least developed country groups. *Int J Multidiscip Evol Res.* 2026;7(2):1-7. doi:10.54660/IJMER.2026.7.2.01-07.

Creative Commons (CC) License

This is an open access journal, and articles are distributed under the terms of the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International (CC BY-NC-SA 4.0) License, which allows others to remix, tweak, and build upon the work non-commercially, as long as appropriate credit is given and the new creations are licensed under the identical terms.