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FOREIGN DIRECT INVESTMENT IN AFGHANISTAN AND THE FACTORS WHICH AFFECT IT

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ABSTRACT

This research focus the factors affecting (FDI) or foreign direct investment in Afghanistan. In general, this study has focused on the factors affecting direct investments towards developing and underdeveloped countries. The primary goal of this research is to focus and find the factors affecting foreign direct investment inflow to Afghanistan. In this research we focus to the effects of the following factors; indices, gross domestic product, globalization export volume, import volume, and exchange rate of dollar to Afghani. The mentioned factors were determined according to a review of the literature. About the interaction across variables, 3 different regression models were analyzed to examine the effects of those factors on foreign direct investment inflows to Afghanistan. Ordinary Least Squares estimation was employed. According to the report or the analyzed of the integrated model globalization has a statistically key positive effect on foreign direct investment, whereas the GDP has a statistically significant negative effect on foreign direct investment. When we test the effect of gross domestic products and exchange rate (EXC) jointly on foreign direct investment, we find the statistically positive effect of mentioned variables on foreign direct investment. The final results of this research recommend the economy politicians in Afghanistan implement exchange rate policies that promote the foreign direct investment in order to increase the inflow of foreign direct investment to the country.

Keywords: Afghanistan, Globalization Indices, Foreign Direct Investments (Fdi), Investment, Exchange Rate.