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Unpacking the Determinants of Foreign Direct Investment: A Systematic Literature Review (2008–2024) and Future Research Agenda

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ABSTRACT

Purpose: This study presents a comprehensive systematic literature review about the factors influencing foreign direct investment (FDI) inflows and outflows. **Method:** We synthesize and analyze 294 empirical studies from 2008 to 2024 using a framework-based review of the Antecedent — Decision — Outcome (ADO) and Theory — Context — Method (TCM) model. **Findings:** The findings are presented, including theories, context, and methodologies adopted in the current literature. We also reveal factors influencing FDI and the impacts of FDI investigated in the literature. **Originality:** A major novelty of this review lies in its development of a categorization matrix that distinguishes between push versus pull factors and institutional versus non-institutional drivers. This matrix provides a bidirectional and multi-layered perspective on how FDI determinants operate across home and host countries. Additionally, we propose a conceptual model describing FDI inflow and outflow patterns. This offers a holistic picture of the affecting mechanisms and impacts on FDI. **Contribution:** The study offers a refined research agenda with research questions and directions for future studies. This review also contributes an actionable foundation for advancing FDI research and informing policymaking.

Keywords: foreign direct investment; FDI; systematic review; FDI determinants; directions; outcomes; ADO-TCM

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ОРИГИНАЛЬНАЯ СТАТЬЯ

Анализ факторов, определяющих прямые иностранные инвестиции: систематический обзор литературы (2008–2024 гг.) и перспективы исследований

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АННОТАЦИЯ

Цель: в данном исследовании представлен всесторонний систематический обзор литературы, посвященный факторам, влияющим на притоки и оттоки прямых иностранных инвестиций (ПИИ). **Метод:** проведен синтез и анализ 294 эмпирических исследования, опубликованных с 2008 по 2024 г., с использованием модельно ориентированного подхода «предшествующий фактор — решение — результат» и «теория — контекст — метод» (ADO-TCM). **Результаты:** представлены результаты, включая теории, контекст и методо-

логии, используемые в современной литературе. Также выявлены ключевые факторы, влияющие на ПИИ, и последствия воздействия ПИИ, исследованные в предшествующих работах. **Оригинальность:** новизна данного обзора заключается в разработке матрицы классификации, которая различает «выталкивающие» и «притягивающие» факторы, а также институциональные и неинституциональные детерминанты. Данная матрица обеспечивает двунаправленный и многоуровневый взгляд на функционирование факторов ПИИ как в странах-донорах, так и в странах-реципиентах. Кроме того, предлагается концептуальная модель, описывающая закономерности притока и оттока ПИИ, что дает целостное представление о механизмах воздействия и их последствиях. **Вклад:** исследование формирует уточненную исследовательскую повестку с конкретными вопросами и направлениями для будущих работ. Также обзор вносит практический вклад, создавая основу для дальнейшего развития исследований в области ПИИ и поддержки процессов формирования экономической политики.

Ключевые слова: прямые иностранные инвестиции; ПИИ; систематический обзор; детерминанты ПИИ; направления; результаты; модель ADO-TCM

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1. Introduction

Foreign direct investment (FDI) refers to an investment made by a firm or individual in one country into business interests located in another country. Global FDI inflows stood at approximately USD 1.3 trillion in 2023, marking a 12% decline from 2022 and remaining below pre-pandemic levels. The aftermath of the 2008 global financial crisis, the trade tensions of the late 2010s, and the disruptions caused by the COVID-19 pandemic collectively reshaped international investment patterns. While developed economies saw modest recoveries, developing and transition economies emerged as major recipients, attracting more than half of global inflows, driven primarily by Asia's sustained economic dynamism and greenfield investments in manufacturing and services. Meanwhile, outward investment from emerging markets, particularly China, Singapore, etc., has risen sharply, altering global investment geography. These shifting dynamics underscore that FDI is influenced by a complex set of determinants that vary across regions and periods. Given the growing number of empirical studies exploring these drivers, a systematic literature review, especially covering 2008–2024, is crucial to synthesize fragmented evidence, identify consistent determinants, and propose a coherent future research agenda aligned with contemporary global investment realities.

Previous reviewing papers often lack a structured and systematic approach, resulting in potential biases in the selection and interpretation of the literature. For instance, Blomström et al. (2001) [1] fail to provide an accurate classification of FDI spillovers and determinant categories. Other reviews frequently fail to incorporate moderating and mediating effects, as well as a diverse theoretical framework, thereby limiting their capacity to provide comprehensive insights. In contrast, Dimitrova et al. (2015) [2] focused on country-specific determinants in a specific region, potentially overlapping macroeconomic and institutional factors, and lacked comprehensive theoretical frameworks. Similarly, Islam and Beloucif (2024) [3] is primarily a descriptive analysis of the determinants of international migration, with a particular focus on economic, political, and institutional factors, and an emphasis on the role of host countries and the factors that attract migrants to them.

Therefore, a systematic literature review has been conducted to explore factors that influence FDI inflows and outflows in the current literature. The study differs from existing review papers in some major ways: First, the study integrates multiple techniques, such as bibliometric analysis, thematic analysis, and a framework-based review to organize current research. This integration is essential, as a bibliometric analysis maps collaboration networks and shows how knowledge flows within this field. Additionally, the thematic analysis is utilized as the foundation to synthesize findings into the framework-based analysis. Notably, the study applies a combination of the Antecedent — Decision — Outcome (ADO) and Theory — Context — Method (TCM) framework

proposed by Paul et al., (2021) [4] to organizing current studies. The TCM framework allows for an examination of how different theoretical approaches, research contexts, and methodologies have influenced the study of FDI, while the ADO framework facilitates an in-depth exploration of the variables and conditions associated with FDI flows. Second, by distinguishing between push and pull factors, institutional and non-institutional factors and further arranging them in a correlation matrix. The study provides a dual-level analysis highlighting the bidirectional nature of FDI determinants. Accordingly, the review reveals that institutional and non-institutional factors drive firms to seek investment opportunities abroad and attract foreign investors in host countries. Additionally, the study reveals that FDI decisions are seen as influenced by both formal institutional structures and broader economic or social factors. We also propose a conceptual model to explain these patterns. Third, the review highlights significant deficiencies in the current body of research categorized under the ADO-TCM framework. Consequently, we establish potential research questions that we believe will provide meaningful directions for future studies.

The structure of the paper is presented as below. Section 2 presents the methodology. Section 3 presents the findings and analysis of the systematic review. Section 4 presents the gap analysis. Sections 5 and 6 present the implications and conclusion of the paper.

2. Methodology

We utilized the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines as proposed by Page et al. (2021) [5] to synthesize the current studies (*Fig. 1*) to address four research questions.

- RQ1. What are the theories and models proposed to explain the effect of determinants on FDI flows?
- RQ2: What are the research contexts examined and the research methods adopted?
- RQ3: What are the factors shaping the FDI inflows in the current literature? And what constitutes a synopsis of the determinants and FDI inflow patterns?
- RQ4. What are the research gaps and directions for future research?

Search strategy

Web of Science (WoS) and Scopus were prioritized for this study to ensure a focused yet comprehensive dataset. The initial search utilized Boolean operators to capture relevant literature. Accordingly, a broad search using the search strings (Topic-Topic) was applied, such as ("FDI" OR "Foreign Direct Investment" OR "Foreign Invest*" OR "FDI flow*") AND ("Determinants" OR "Factors"). This search yielded 4422 records. To narrow down the scope of the study, a focused search with the strings (Title-Topic-Topic) was also applied by adding keywords such as ("FDI" OR "Foreign Direct Investment" OR "Foreign Invest*" OR "FDI flow*") AND ("Determinants" OR "Factors") AND ("economic growth" OR "economic development"). This yielded 1018 records. The end date of the electronic search was April 25, 2024.

Screening

We used automation tools to identify records eligible for research purposes. Eligible criteria include (1) articles, (2) publications from 2008–2024, (3) being published by reputable publishers (e.g., Elsevier, Springer, Taylor and Francis, Wiley, Emerald, Sage, World Scientific, and Routledge), (4) being empirical studies, and (5) being in English.

In detail, only peer-reviewed journal articles were selected. We also restricted the timeframe for the included studies from 2008 to 2024. This particular period was selected for several reasons. First, the starting point of 2008 is closely tied to the onset of the global financial crisis, which marked a pivotal disruption in international financial markets and investment flows. Second, this period captures transformative changes in the global economy driven by rapid technological advancements and digitalization. Third, the rise of emerging markets, particularly in Asia, Africa, and Latin America, has increasingly drawn the attention of multinational enterprises, policymakers, and researchers. These economies have become not only recipients but also active sources of FDI. Fourth, this timeframe encompasses several major global disruptions and geopolitical developments that have influenced FDI patterns, including trade wars, increasing protectionism, the COVID-19 pandemic, and regional conflicts.

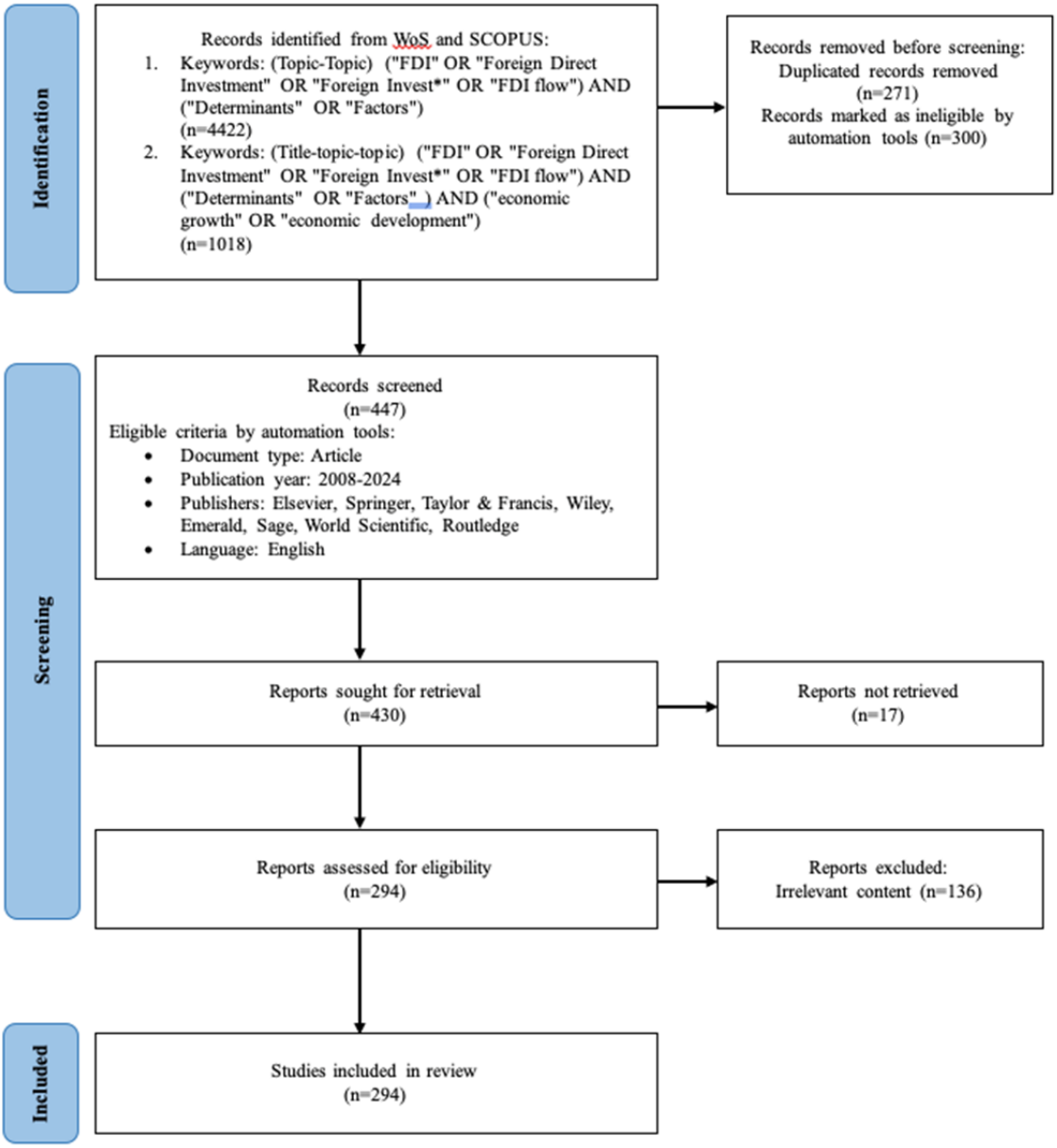

Fig. 1. **The PRISMA Flow Diagram for systematic review**

Source: Developed by authors.

The inclusion criterion restricts articles to those published by major academic publishers. The review also includes only empirical studies to ensure the consistency of the comparative analysis. We then examined the accessibility of the articles. Finally, the remaining 430 articles were manually screened based on their titles, abstracts, and keywords to ensure direct relevance to the topic. This process resulted in 294 studies for inclusion.

Data extraction

We adopted a hybrid coding approach, including deductive and inductive logic for data extraction. Accordingly, deductive codes were developed based on established theoretical frameworks, including the ADO framework ((1) Antecedents, (2) Decisions, (3) Outcomes) and the TCM framework [(4) Theory, (5) Context, (6) Methodology)]. Then, inductive codes were generated as new themes emerged during in-depth reading of the full-text articles.

Data analysis

The selected articles were analyzed using several techniques. Accordingly, a bibliometric analysis was conducted using the Bibliometrix package in R (Aria and Cuccurullo, 2017) [6] to examine

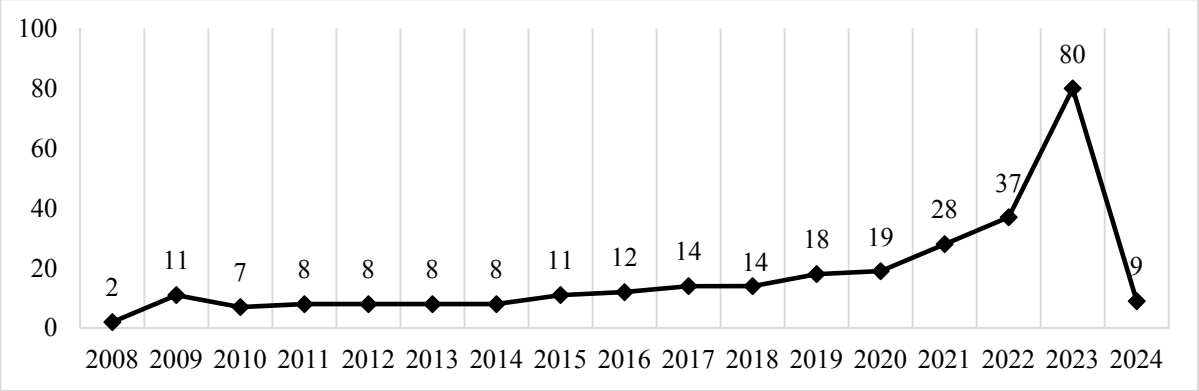

Fig. 2. **Annual scientific production from 2008 to 2024**

Source: Developed by authors.

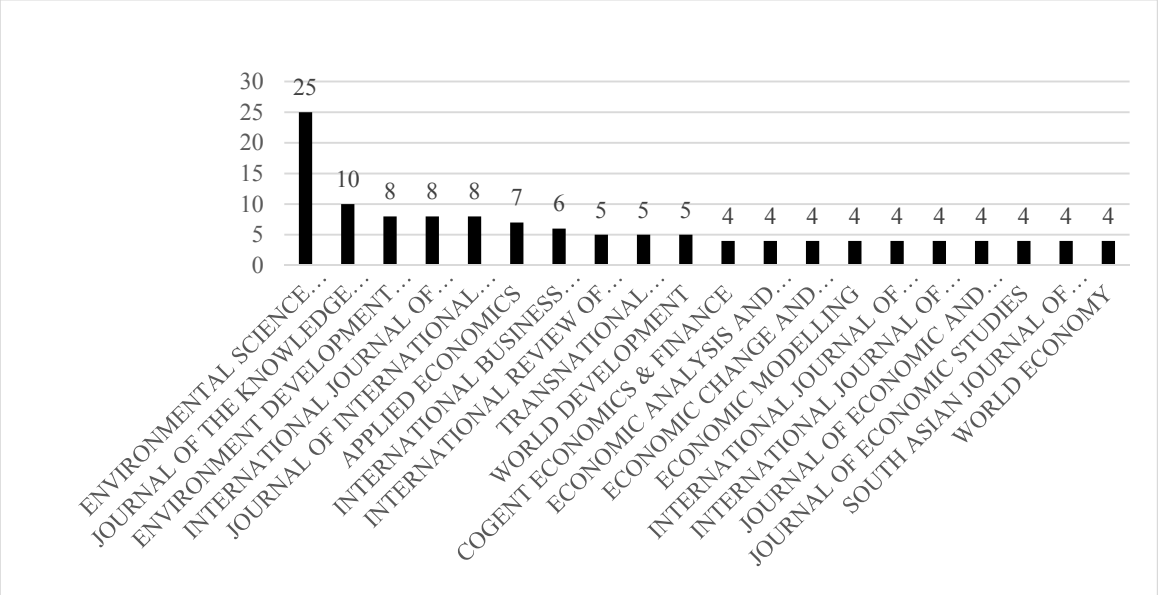

Fig. 3. **Top 20 relevant journals**

Source: Developed by authors.

publication trends, citation patterns, author collaborations, and influential journals. Additionally, we conducted a framework-based review adopting the ADO (Antecedents, Decisions, Outcomes)–TCM framework (Theory, Context, Methodology) and a gap analysis to address the research questions.

3. Results and analysis

3.1. Bibliometric analysis

Figure 2 describes the number of articles published from 2008 to April 2024. As seen from *Fig. 2*, the number of articles in this research domain has increased rapidly (from 2021 to 2023 boost from 28 to 80 articles), indicating the growing academic and research interest in FDI during this period.

Figure 3 depicts the compilation of journals that have published relevant studies. Notably, journals that specialize in economic growth, environmental development, and economic sustainability disseminated the majority of the studies. Journals such as Environmental Science and Pollution Research, Journal of the Knowledge Economy, Environment, Development and Sustainability, and International Journal of Emerging Markets are all examples of publications that fall under this category. This ensures that the scope of the study will include literature of high quality and that it is pertinent to the topic at hand. Further, the results suggest that contemporary FDI research increasingly intersects with broader sustainability and development agendas, indicating a multidisciplinary expansion of the field.

Figure 4 illustrates the top 20 most cited publications. With over 9000 citations, the publication of Dean in 2009 was the highest-cited study,

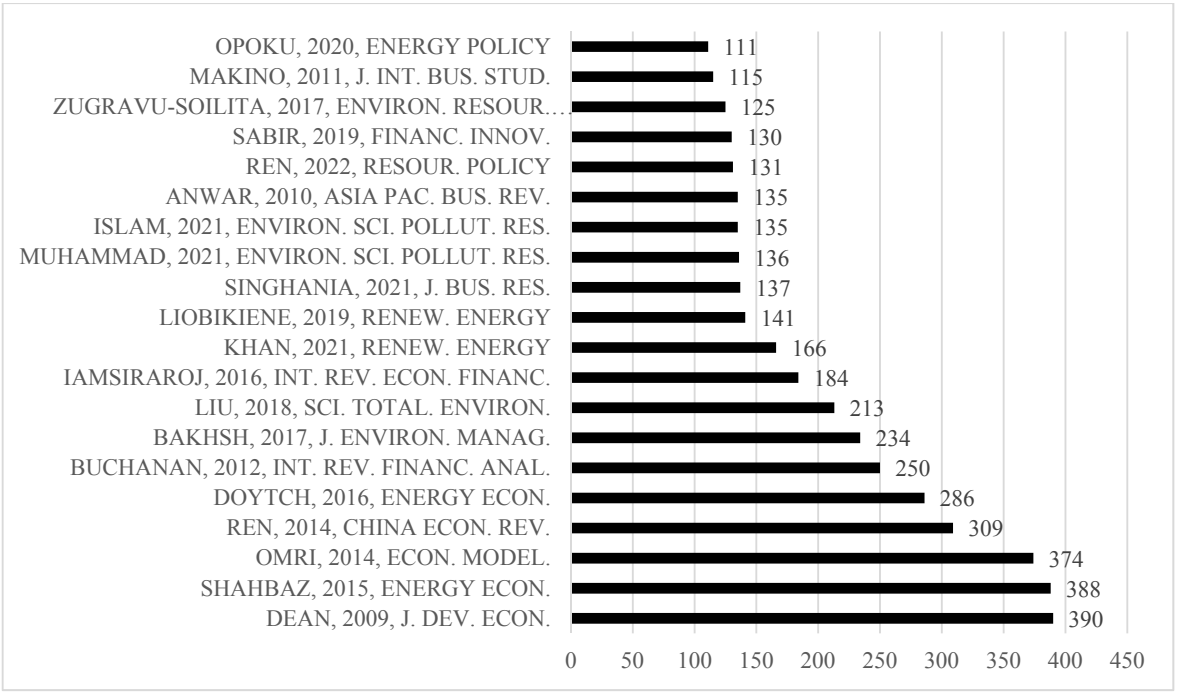

Fig. 4. **Top 20 cited publications**

Source: Developed by authors.

with 390 times, which is a clear indication of the substantial influence and contribution that it had to the area. Additionally, the work of Shahbaz in 2015, Omri's research in 2014, Ren's study in 2014, and Doytch's work in 2016 were also frequently cited by other scholars, demonstrating the importance and impact of these authors and their contributions to the ecosystem of research.

Figure 5 illustrates the thematic analysis of FDI research using the Walktrap clustering algorithm, which groups themes according to density (level of development) and centrality (importance within the field) [7]. The results highlight key strengths and gaps in FDI studies. Motor themes — including CO_2 emissions, FDI inflows, Asia, and environmental legislation — show both high density and centrality, indicating strong internal development and major influence on the field, reflecting the growing integration of environmental and regional issues into FDI research. Niche themes, such as international investment and political risk, display high density but low centrality, suggesting well-developed but less influential areas that offer potential for interdisciplinary expansion. Basic themes, including institutional quality, financial instability, and outward FDI, exhibit high centrality but lower density, meaning they are foundational yet require further development within their clusters. Declining themes, such as emerging markets, show low density and centrality, indicating reduced emphasis, though future research could examine whether this reflects reduced relevance or a shift toward more focused studies.

3.2. Theory

The results show that over forty-one separate theories were identified from the prior literature, which demonstrates a diversity of theories and models in explaining aspects of FDI. However, only about 41.5% of the studies explicitly documented the theories, frameworks, and models that were used, indicating a lack of theoretical clarity and a lack of transparency or consistency in theoretical application. The review suggests that many studies do not clearly state the theoretical underpinnings guiding their research, which may hinder the ability to compare and synthesize findings across studies.

Several theories were frequently utilized in the literature, including the eclectic theory (27 times), endogenous growth theory (20 times), and international trade theory (14 times). The eclectic theory, also known as the OLI (Ownership, Location, and Internalization) paradigm, postulates that FDI inflows occur when firms possess ownership-specific advantages (such as proprietary technology), locational advantages (such

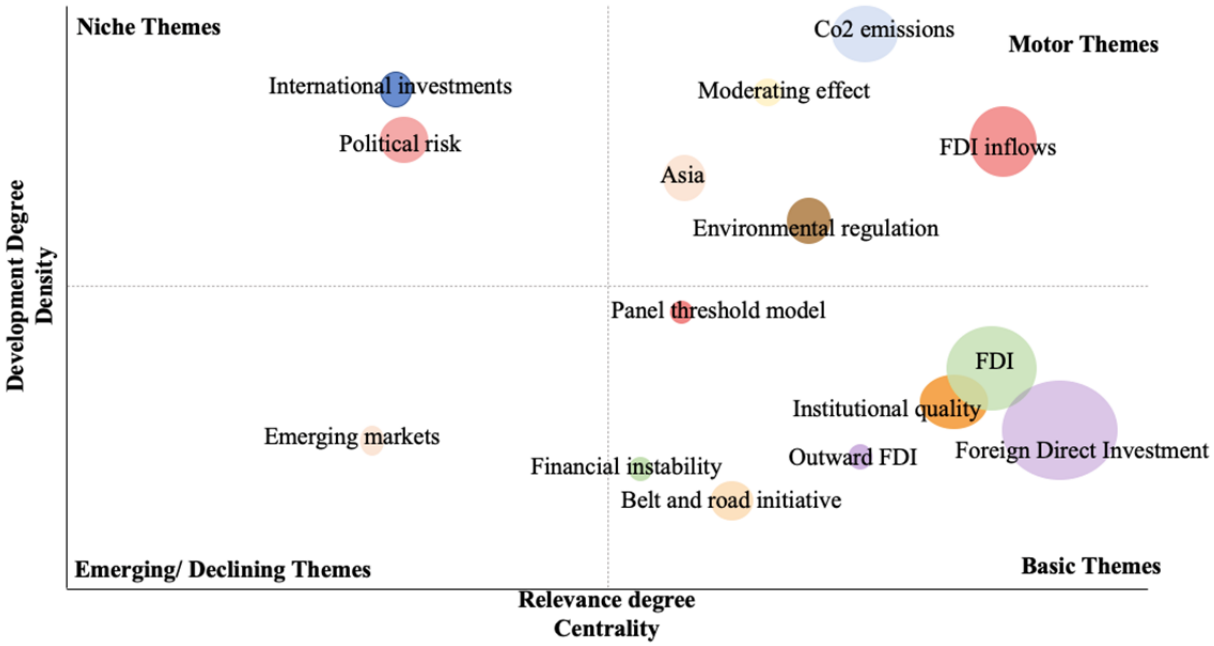

Fig. 5. **Thematic map**

Source: Developed by authors.

as low factor costs), and benefits of internalizing operations internationally [8, 9]. Whereas, the endogenous growth theory highlights the role of foreign technology and knowledge spillovers in enhancing local productivity [10]. Additionally, the international trade theory emphasizes the dynamic nature of trade advantages beyond traditional factors like natural resources [11]. The neoclassical economic growth model was also frequently applied (14 records). The model focuses on capital accumulation and its long-term impacts on economic growth [12]. Finally, the economic theory (12 records) discusses the reduction of production costs through specialization and economies of scale [13]. Other theories, although less frequently used, offer valuable perspectives that enhance our understanding of the complex factors driving FDI.

3.3. Context

We reveal two contexts of FDI studies, including (1) the multinational context and (2) the uninational context. The results show an outnumbering of multinational studies, indicating a growing interest in comparative studies. The multinational context was frequently investigated by previous scholars with 192 studies. The research spans a wide range of geographical regions, including regional groupings and broader economic classifications, such as developing and emerging economies, high-income and middle-income countries, the South Asian Association for Regional Cooperation (SAARC), the Central and Eastern European Free Trade Agreement (CESEE), and the Gulf Cooperation Council (GCC) countries, etc. The results also indicate that the sample selections of previous research on FDI mainly concentrated on developing and emerging economies, regional groupings, and income-based classifications.

By contrast, the uninational context was also explored with 102 studies. The results of the review show that China was the most prominent focus, with 16.67% (49 studies). China has provided an advantageous site for the investigation, as significant Chinese trade and investment liberalization in 1992 stimulated massive FDI inflows from various source countries, making China the biggest developing world FDI receiver in 1995. Apart from China, there is a noticeable concentration of studies on other emerging economies such as India, Vietnam, Bangladesh, and Indonesia indicating a shift in the focus of research towards the Asian sector. Generally, the outnumber of multinational studies in this research domain suggests a growing interest in comparative studies that explore broader regional or global patterns and dynamics rather than isolated, country-specific phenomena.

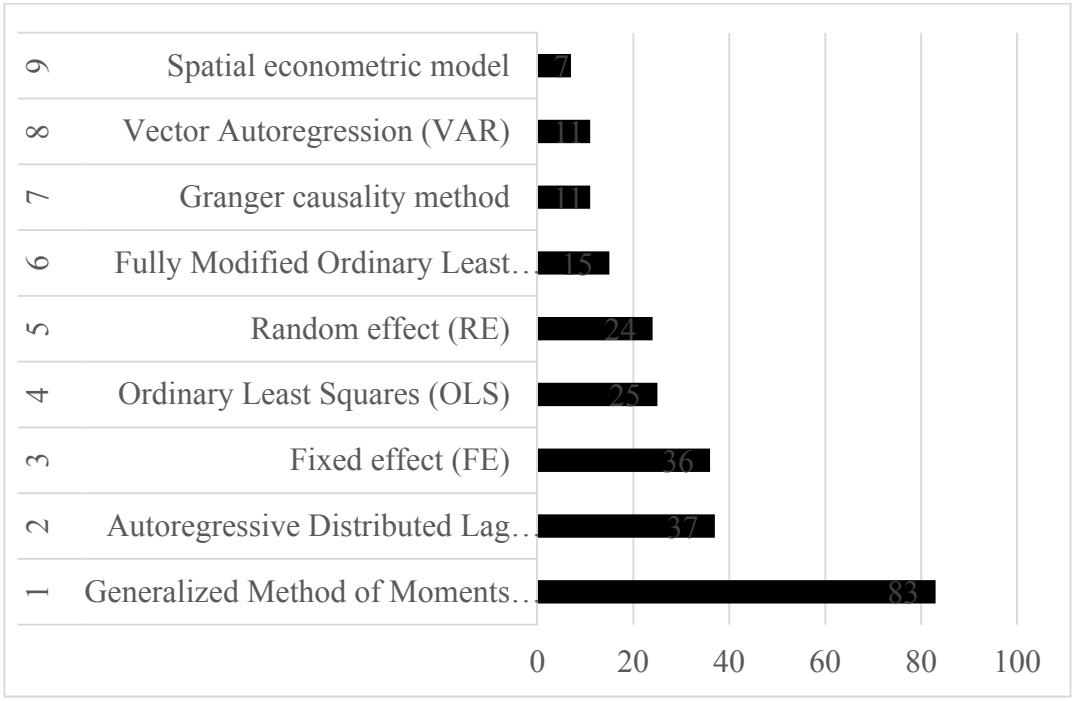

Fig. 6. **Top methods utilized in FDI studies**

Source: Developed by authors.

3.4. Analytical methods

The results indicated that studies investigating aspects of FDI majorly used a quantitative approach (*Fig. 6*). Accordingly, the generalized method of moments (GMM) emerged as the most frequently employed method with 83 times, followed by autoregressive distributed lag (ARDL) with 37 times, fixed effect (FE) with 36 times, ordinary least squares (OLS) with 25 times, and random effect (RE) with 24 times. According to Doytch and Narayan (2016) [14], GMM is a more effective approach than fixed effects when there is an issue of endogeneity in the data.

GMM leverages the stationary limitations and produces more reliable outcomes compared to differenced GLS. This is because GMM accounts for substantial biases that arise from poor sample instruments in limited samples [9]. On the other hand, ARDL was also applied in several studies. Islam et al. (2021) [15] reveal that ARDL has the ability to analyze the observable changes that occur in the independent variables and how they affect the dependent variable, both in the short term and the long term. Furthermore, FE, RE, and OLS were also applied to estimate the magnitude of the effect of determinants on FDI. The reason is that these methods support dealing with the problem, such as little informative variation in the effect of variables over time [16]. Generally, the application of quantitative methods in previous literature was heavily influenced by the specific circumstances and objectives of the authors.

3.5. Determinants of FDI flows (antecedent)

Antecedents are defined as factors, conditions, or variables that exist prior to the decision-making process or the occurrence of an outcome. In this study, we collected determinants of FDI flows and proposed a matrix to categorize these determinants into 4 categories and 10 subgroups (*Fig. 7*). Vertically, we divided FDI determinants into (1) push and (2) pull factors. Push factors refer to conditions or attributes in the investor's home country that motivate corporations to invest in other countries. Pull factors, on the other hand, refer to the specific circumstances or features of the host nation that serve as incentives for overseas investment. Horizontally, we revealed two categories (i.e., (3) institutional factors and (4) non-institutional factors). Institutional elements include formal and informal guidelines, laws, and policies put in place by a nation's governmental and legal frameworks. These factors determine the conditions in which businesses operate and impact the desirability of a nation for FDI. Non-institutional variables

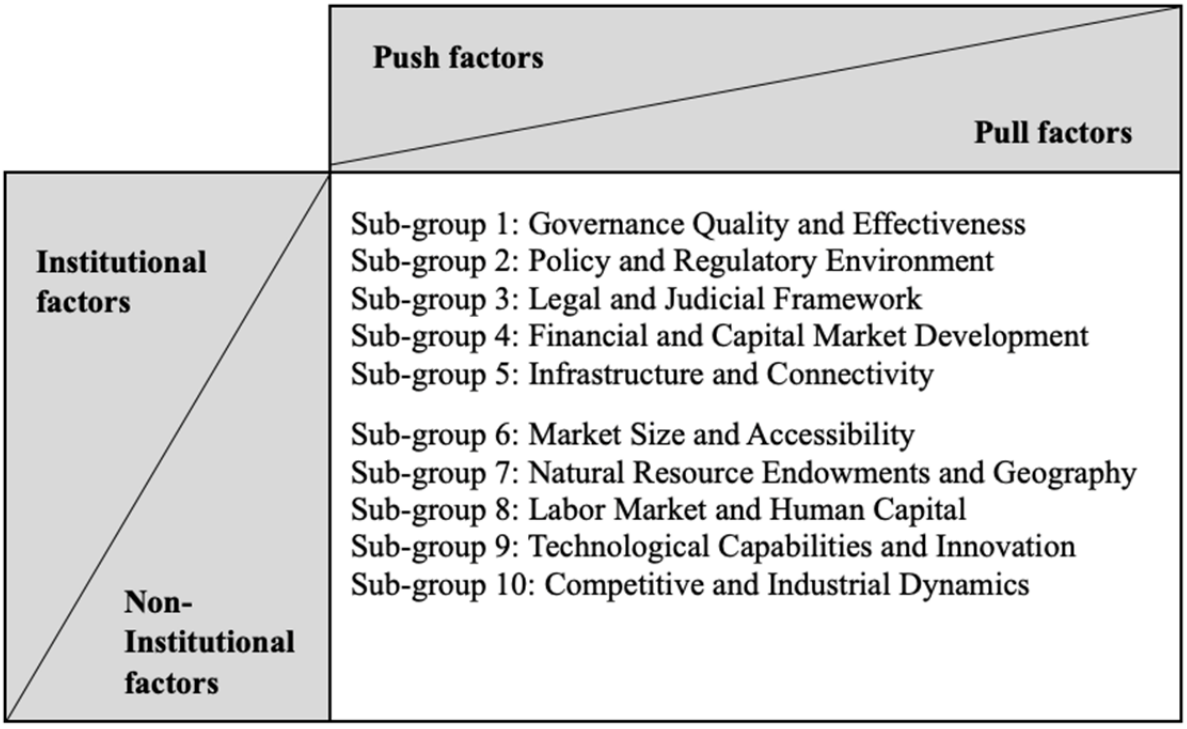

Fig. 7. **Classification of FDI determinants**

Source: Developed by authors.

include the wider economic, social, and cultural circumstances that influence FDI but are not directly connected to formal institutional structures. This matrix advances previous classifications in two key ways. First, it provides a more comprehensive and structured categorization that integrates institutional and non-institutional dimensions under both push and pull perspectives, enabling a holistic understanding of FDI determinants. Second, it explicitly reflects the dual-effect nature of these variables, recognizing that a given factor can act as either a push or pull force depending on relative country conditions.

Sub-group 1

Government policies and regulation factors refer to promotions, policies, incentives, and regulations associated with FDI, such as state legitimacy [17]; economic efficiency, government policy; and government support [18]. Further, environmental regulations were revealed to deter FDI in developing countries [19, 20].

Sub-group 2

Political stability and governance factors were identified as pull factors for FDI, such as the roles of control of corruption, voice and accountability, government effectiveness, regulatory quality, and rule of law in boosting the FDI in a country [21]. However, political instability was also identified as harming FDI in Pakistan [22], EU Structural Funds' influence on FDI inflows via institutions [23], reducing corruption might affect FDI inflows in the long run [24].

Sub-group 3

Cluster 3 includes the legal system, justice system soundness, legal structure, and property rights. Uddin et al. (2019) [25] showed that legal structure and strong property rights were essential for the inward FDI flow to Pakistan. By contrast, Ghazalian and Amponsem (2019) [26] revealed that robust intellectual property rights regimes are crucial in attracting FDI to nations with insufficient industrial infrastructure and technology.

Sub-group 4

Cluster 4 includes the macroeconomic environment, financial market conditions, and fiscal and regulatory aspects. According to Goh and Wong (2011) [27], nations with strong currencies are more inclined to invest overseas due to the advantageous impact of their home country's strong exchange rate. By contrast, Fang et al. (2021) [28]showed that the foreign exchange rate of the local currency was one of the motivations that host countries could utilize to attract foreign investors. Another perspective, Khan et al.

(2023) [29] indicated that macro-market determinants of host nations in Belt and Road Initiative (BRI) nations might attract Chinese FDI [30, 31]. According to Gupta and Singh (2016) [32], high inflation rates tend to discourage foreign investors from engaging in the activities of FDI; financial stability can be maintained by the optimal level of institutional development and attract more foreign investors [33, 34].

Sub-group 5

According to Mottaleb and Kalirajan (2010) [35], countries that have enhanced infrastructure (roads, port facilities, telephones, and internet) may have a substantial impact on the expenses of doing business. Similarly, Maryam and Mittal (2020) [36] affirmed that developed infrastructure has pulled major FDI inflow in India [37]. The factors of volatile energy, shipping capacity, energy transition, etc. were also investigated in several studies [38], etc. as characteristics associated with infrastructure development.

Sub-group 6

The literature showed that market size and trade openness are the determinants of FDI inflows. According to Anwar and Nguyen (2010) [39], larger market size might attract higher FDI inflows; similarly with Asongu et al. (2018), Khan and Ozturk (2020) [40], etc., Qamruzzaman (2021) [41] showed that foreign investors are attracted to nations with trade openness, similarly to Dinga et al. (2023) [42], etc. Additionally, agglomeration was also one of the frequently investigated antecedents of FDI inflows, such as market agglomeration [43] and economy agglomeration [44].

Sub-group 7

Resources abundance and high-quality natural resources in host countries mainly attracted foreign investors [44]. According to Anyanwu and Yaméogo (2015) (48–50), investors prefer countries with abundant natural. Olofin et al. (2019) [46] argued the role of countries' locations on FDI inflow could discourage or encourage investors from moving their businesses from or to other countries [47].

Sub-group 8

Human capital was the most frequently investigated. According to Asongu et al. (2018) [48], human capital is crucial to facilitate the absorption of significant skills and technology spillovers from FDI and foster sustainable long-term economic development [49, 50]. Berrill et al. (2020) [51]exhibited the extent of the positive or negative spillover effects, depending on the education levels of employees, entrepreneurs, and the population [52]. Several determinant factors related to human and labor were also identified in the literature, such as labor cost and unemployment rate [32], labor skill, labor quality, and labor productivity [53].

Sub-group 9

Previous scholars showed that technology also impacted the FDI inflows across countries. According to Mei (2023) [54], FDI may vary due to the differences in technology and human capital between countries. By contrast, Obeng-Amponsah and Owusu (2023) [55]found that technology acts as a mediator in the short term between FDI and both economic development and employment. On the other hand, Das (2013) [56] demonstrated the role of technology as a motive of outward FDI.

Sub-group 10

Finally, FDI inflows are also related to competitive environment factors [57, 58]. Jimborean and Kelber (2017) [59] showed that the competitiveness of a nation, computed as the year-on-year growth rate of the share of each country, significantly impacted the inflows of FDI. Similarly, Gupta et al. (2022) [60] highlighted FDI creates a dynamic environment that disrupts local monopolies by encouraging the entry of multinational organizations. As a result, it is an important indicator for overseas investors when arriving at decision-making [61, 62], absorptive capacity [63], etc.

3.6. The directions of FDI flows (decision)

The directions of FDI flows have been classified into two streams (1) inward FDI and (2) outward FDI. Inward FDI (IFDI) describes the flow of capital from foreign investors into a domestic economy, typically through establishing new operations, acquiring existing businesses, or reinvesting earnings in the host country. Research on IFDI has dominated the literature on FDI. IFDI played a crucial role in promoting economic progress in developing nations [64], natural resources, a growing middle class, government initiatives [65], and environmental degradation [66]. This was also agreed upon by several scholars, such as Gaies and Nabi (2021) [67], Li et al. (2022) [68], etc.

By contrast, outward FDI (OFDI) refers to investments made by domestic entities into foreign economies. The OFDI inflow also play an important role for home countries in the attempts to resolve economic and social issues [28]. Most of the studies investigated the OFDI from China. Ren et al. (2022) [69] argue that China's economic expansion is now facing new obstacles due to severe resource restrictions and ecological issues. Kurtovic et al. (2023) [70] showed that the OFDI inflow had a significant effect on the economic growth of Central, East and Southeast European (CESEE) countries in the long run [71]. Emerging and developing nations have promoted outbound FDI as a source of domestic innovation and productivity development.

3.7. Impacts of FDI flows (outcome)

We categorized the impacts of the FDI flows into five clusters, including (1) economic outcomes, (2) social outcomes, (3) environmental outcomes, (4) institutional and governance outcomes, and (5) technological and innovation outcomes.

Economic outcomes were frequently investigated. FDI increases the comparative advantages of host countries in the attempt to attract foreign investors. By contrast, Song et al. (2021) [72] indicated that FDI inflows raised income inequality while economic growth was reduced. Whereas, Kastratovic (2024) [73] found that FDI benefited agricultural exports in SAARC countries. Factors associated with employment (e.g., employment [55], wage level, and financial development) were also identified as outcomes that FDI inflow brought to host countries.

Social outcomes related to human development and welfare, tourism, and entrepreneurship. According to Kheng et al. (2017) [16], FDI and human capital had a bi-directional relationship. Therefore, FDI and human capital development policies need to be coordinated. Additionally, FDI was also found to support the poverty reduction in host countries [44, 74]. In another aspect, FDI is also important for tourism development. According to Sou and Vinnicombe (2021) [75], the presence of effective governance is directly linked to the accumulation of FDI, which in turn has a beneficial impact on the demand for tourism.

Environmental outcomes emerged as frequently investigated impacts recently. They mainly related to issues such as environmental quality, pollution, energy consumption, and green development. Accordingly, scholars found that FDI inflows resulted in environmental degradation and pollution in host countries. Nathaniel et al. (2020) [76] showed that foreign investors tend to be attracted by countries with lax environmental regulations. Similarly, emissions were also identified as an outcome of FDI inflows in host countries. Most studies concluded that FDI inflow positively impact emissions, such as carbon emissions [77] and industrial emissions [78].

FDI might be associated with institutional quality, intellectual property, and civil conflict. FDI inflow and domestic institutions have a bi-directional relationship [79]. By contrast, higher inflows of FDI have a significant short-term impact on the institutional quality of recipient economies. FDI contributes to economic development by improving institutional quality in the host country [80].

Finally, the outcomes of FDI are associated with technology and innovation. Sultana and Turkina (2020) [63] reveal that the geographical location of a nation in the global FDI network is directly linked to the level of technological progress in that country. Additionally, the ability of a country to absorb new technologies might influence this connection. FDI has a significant impact on the transfer of technology [81].

3.8. The conceptual model

Building on the ADO model, we synthesize the findings of the literature and propose a conceptual model to offer a holistic understanding about FDI flow patterns (*Fig. 8*).

As previously mentioned, current scholars frequently investigate the influencing mechanism of IFDI toward host countries. Accordingly, this flow of influence is divided into two individual patterns: (1) the impacts of determinants on IFDI and (2) the impact of IFDI on host countries. For instance, most scholars have found that FDI inflow contributes to economic growth and development, as well as entrepreneurial activities and technology transfer, in host countries [76, 82, 83]. Rehman et al. (2022) [84] show that human capital, foreign aid, trade, domestic investment, population, and institutional quality are factors influencing the increase in IFDI. According to Chiyaba and Singleton (2024) [85], the natural resources of developing countries are a key factor

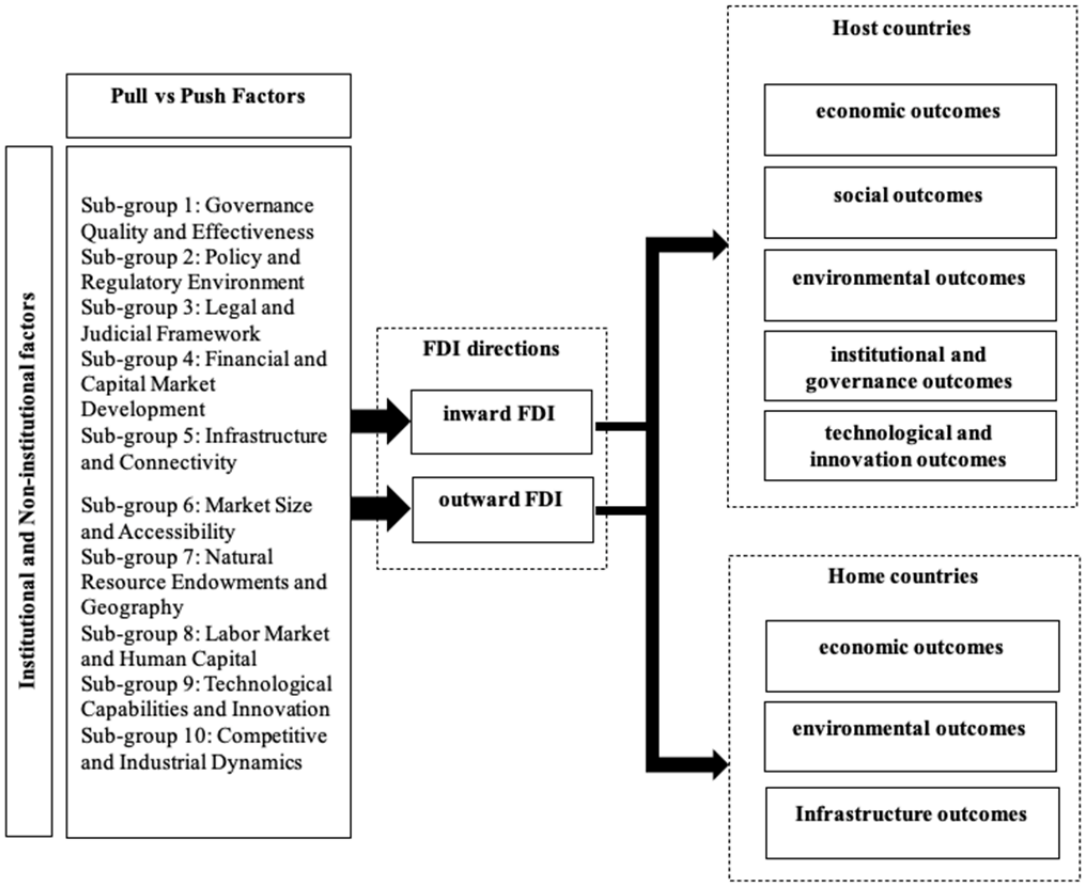

Fig. 8. **The conceptual model**

Source: Developed by authors.

motivating IFDI. However, natural resource rents tend to erode the institutions of these nations. Similarly, Rehman et al. (2020) [86] highlight that policymakers and the government play an important role in encouraging critical policy changes, which promote IFDI in Bangladesh and improve national economic development.

The OFDI pattern reveals that push factors, including market and trade factors, natural resources, and competitive factors, frequently drive OFDI. For instance, Drogendijk and Martín (2015) [87] demonstrate that cultural distance, historical distance, and physical distance motivate China's outward foreign direct investment (OFDI) to other countries. Additionally, Gao et al. (2013) [88] highlight the role of domestic economic development and the two-way mobility of highly skilled Chinese students and scholars as driving factors of OFDI. Further, the literature also investigates the impacts of OFDI on home countries. OFDI has a causal relationship with domestic investment in China [89]. Additionally, OFDI inflows positively impact export diversification in the home country in several ways [90]. The spillover effect of OFDI will promote domestic economic productivity, thereby increasing the production and export of a wider range of goods in the home nation. Secondly, FDI allows local enterprises to lower their production costs, resulting in a decrease in the prices of various goods and freeing up more resources for RandD operations. Consequently, this enhances economic development. The research of Ali et al. (2021) [91] indicated the positive relationship between OFDI and the domestic logistics services industry. Accordingly, OFDI of logistics companies has a beneficial effect on the increase of productivity in the logistics sector. Furthermore, there was a long-term reciprocal relationship between the OFDI of logistics firms and the expansion of productivity in the domestic logistics service industry.

4. Research agenda

In this section, the authors highlight various gaps that emerged from the systematic review of 294 studies. Using this foundation, a future research agenda was set based on the ADO-TCM frameworks to address research question 4. Ac-

cordingly, the authors presented a list of pertinent research questions and research objectives in this topic, so that researchers may align research efforts with given research questions or objectives (Appendix 1).

4.1. Antecedents

Pull factors mostly dominated the literature in terms of the vertical classification. Therefore, we suggest that push factors from home countries seem meaningful to investigate in the future. For instance, Osabuohien-Irabor and Drapkin (2022) [92] show that the home country's composite risks, including economic hazards, financial risks, and political risks, influence enterprises' incentives to expand internationally via outward FDI. Consequently, the main factors that might lead to a decrease in FDI are political and financial concerns in home countries. With local markets reaching a point of saturation, firms may have challenges in sustaining development [93]. Consequently, they may turn to overseas markets to expand their operations. Additionally, intensified domestic rivalry may also prompt businesses to investigate other markets where they might gain a competitive edge and obtain higher returns on their investments.

Further, we propose that institutional factors associated with governmental policies, regulations, and legal frameworks need more concentration. State-led strategies are crucial in obtaining FDI inflows to cultivate a conducive investment environment, mitigate risks, and amplify the potential gains for foreign investors. For instance, implementing networks of networks of Special Economic Zones (SEZs) may attract a relatively large amount of new FDI [94]. Other factors, such as government support, the digital economy, regulations in terms of Fintech, innovation, environment, etc. may also be meaningful. Huang (2023) [95] indicates that the digital economy has a beneficial impact on the influx of skilled workers and FDI. Additionally, factors such as gender legislation and regulation should be concentrated on, as the existing body of study on factors influencing FDI generally overlooks the role of gender [96]. According to Lai and Sarkar (2017) [97], the gender equality law in Taiwan has had a significant influence on the working conditions of workers in FDI-intensive businesses. Consequently, future studies may pay attention to the role and impact of factors such as women's rights, gender legislation, etc. Further, future studies should diversify approaches in investigating FDI's institutional determinants. For instance, the debate about whether corruption greases the wheels or sands the wheels in FDI seems to be interesting. Several studies support the view that investors are reluctant to provide funds to nations whose institutions promote corruption, nepotism, and bureaucratic obstacles since these characteristics increase the expenses associated with doing business [98]. By contrast, the helping hand theory reveals that corruption somewhat increases FDI, as significant amounts of lawbreaking may enable investors to circumvent laws and regulations [99].

In terms of non-institutional factors, the findings propose that the factor of culture may also be significant in studies on FDI determinants. The national culture has a considerable impact on the ownership- and location-specific factors that play a role in determining the entrance modalities of multinational enterprises into other countries [100]. According to Zhang et al. (2019) [101], since the majority of FDIs are motivated by the need to acquire resources, multinational companies (MNEs) may take advantage of national cultural features, parallels in identity, and geographical distances when making their choice to invest in new and strategically important resources overseas. The study by Izadi et al. (2023) [102] shows that countries that have lower levels of "masculinity" and greater levels of "individualism" and "indulgence" tend to attract more FDIs.

4.2. Outcomes

The results show that a huge concentration was given to the FDI spillovers in host countries. Consequently, we suggest that the outcomes related to home countries may also be promising in future studies. The concept of ecological symbiosis, which refers to the phenomenon of dynamics, interconnectedness, and coevolution of individuals within an ecosystem [38]. Accordingly, apart from the purpose of transferring technology to other countries, FDI inflows also aim at seeking new technologies. Therefore, investigating how outward FDI contributes to cultural and organizational transformations back home may be interesting. Further, utilizing FDI inflows strategically to augment geopolitical power and

its impact on international relations and economic policies also needs more scholarly scrutiny. The investments of China based on the BRI are a typical example. The selection of a corporation in a BRI project is determined via a one-tier bargaining game between China and a host country [42]. From another perspective, Sahasranamam et al. (2022) [103] propose that MNEs that operate in countries with strict corporate social responsibility (CSR) standards will demonstrate advanced CSR practices in their home country. This is because the stakeholders in the host country have greater expectations, and failing to meet these expectations might result in a loss of worldwide credibility for the MNE. Therefore, the potential impact of OFDI on promoting CSR and ethical business practices in the home nations holds promise for the future.

Another gap figured out from the current literature on FDI is the ongoing debate on whether FDI inflows negatively or positively impact nations. Most studies found that apart from benefits in terms of economic growth, technology, innovation, etc., FDI inflows also result in environmental degradation [76], carbon emissions [20], etc. By contrast, environmental pollution has a positive correlation with economic development but eventually decreases after income growth above a certain threshold [104]. Therefore, the study proposes that future research may attempt to investigate the dual impact of FDI inflow on home or host countries.

4.3. Theory

Previous researchers on FDI have drawn heavily from theories and frameworks such as the OLI paradigm, endogenous growth theory, etc. We propose that other theories may also be promising to unpack aspects of FDI.

National institutions play a significant role in attracting FDI inflows, as "the rules of the game" [105]. Consequently, the theories related to state-led strategies may offer a unique perspective in understanding how a nation can attract FDI. The developmental states model is one of the outstanding state-led strategies. The core idea of the developmental state concept describes that the states' strong, interventionist policies can drive economic development by actively shaping economic policy, guiding investment, and fostering industrialization [106]. As a result, it may be promising to explain how state policies can create a conducive environment for FDI.

Behavioral economic theories such as game theory and risk aversion theory may be applied in the FDI scenarios. Game theory aims to answer the issue of how individual individuals should pursue their interests when they are aware that the actions of other independent agents will influence the outcomes of their actions. Regarding FDI, host governments (those receiving investment) and MNCs participate in negotiations and bargaining to establish the conditions of investment. Additionally, game theory also supports explaining the competition for investment of host countries. For instance, certain emerging nations have maintained their competitive edge in the environmentally harmful manufacturing of products. Consequently, the game-theory approach may be useful to explain how developed and developing countries could maximize their payoffs without disregarding environmental concerns [107]. The risk emerges due to the temporal disparity between investment and earnings [108]. Consequently, risk theories such as risk aversion theory may be applied to explain the firms' behaviors in selecting investment locations. Firm experience and context significantly influence risk-taking in FDI location decisions [109].

4.4. Context

The study proposes that different contexts, such as culture, force majeure, etc., may be promising in this field of study. The national culture has a considerable impact on the ownership- and location-specific factors that play a role in determining the entrance modalities of multinational enterprises into other countries [102]. Further, it may also be interesting to examine the similarities and differences in the attempts of FDI attraction between socialist and capitalist countries. This objective necessitates a comprehensive examination of the policies, incentives, and regulatory frameworks utilized by each system to attract FDI. For example, socialist countries may offer state-backed guarantees, and subsidies, or prioritize certain industries in accordance with their national development plans [110, 111]. In contrast, capitalist countries may focus on creating a favorable business environment through deregulation, tax incentives, and the protection of intellectual property rights.

Further, force majeure events include pandemics, natural disasters, weather conditions, war, etc. The COVID-19 pandemic has had a detrimental impact on highly productive kinds of investment, such as greenfield investment in infrastructure projects and industries [112]. The ongoing conflict between two countries has led to a rise in military spending, resulting in a notable decline in FDI and commercial ties [113].

4.5. Methodology

Most research assessing FDI inflows was done applying quantitative methods. Therefore, the study proposes that qualitative research methods are meaningful for exploring the complex and nuanced factors that influence FDI. For instance, an in-depth interview may be interesting to explore the host country's investment climate or investors' perception and reasons for selecting the locations. According to [114], qualitative evidence using multiple data sources is important to explore the skilled labor challenges within the host country's traineeship. Additionally, other methods such as narrative analysis and comparative studies (e.g., qualitative comparative analysis (QCA)) to explore stories and firm accounts related to FDI experiences and compare cross different contexts.

Further, most research in this field applied quantitative methods using several different statistical models, including Generalized Method of Moments (GMM), Autoregressive Distributed Lag (ARDL) model, FE, RE, and OLS regression. These are powerful methods to explain the relationships surrounding FDI inflows. For example, GMM is useful for addressing endogeneity issues [115], while ARDL models are excellent for handling small sample sizes and non-stationary data [116]. However, these methods may not fully capture the causal mechanisms, nonlinear relationships, and contextual factors influencing FDI. Consequently, exploring and integrating alternative methodologies could provide more comprehensive insights and enhance the robustness of empirical findings. For instance, the vector error correction model (VECM) may be potential. The studies using VECM were underrepresented in the literature. The VECM has the potential to enhance the study of transnational economic phenomena, both in current and future research endeavors [117]. VECM is particularly well-suited for the analysis of the dynamic interrelationships among multiple time series variables, which is appropriate for the study of the long-term equilibrium and short-term adjustments in transnational economic systems. By capturing both the short-run dynamics and the long-run equilibrium relationships among variables, VECM enables researchers to uncover complex patterns of co-movements and interactions across countries or regions [115].

5. Theoretical and practical implications

5.1. Theoretical Implications

By integrating a bibliometric analysis and a framework-based review of ADO-TCM, the review offers several theoretical insights for this field. First, a TCM comprehensive review was presented systematically. Accordingly, the study reveals developing trends in current FDI studies in terms of central theories (i.e., the OLI paradigm, endogenous growth theory, and international trade theory), contextual coverage (i.e., the multinational context and the uninational context), and frequent methodologies (e.g., quantitative studies, secondary data collection, econometric analyzing methods, etc.) adopted by the researchers in this field. This provides a strong framework for analyzing literature that goes beyond conventional reviews by emphasizing the important aspects of theory, context, and technique. This approach not only enhances the rigor and depth of the review but also offers useful insights for improving theory, refining methodology, and comprehending the contextual application of research results.

Second, the review consolidates factors associated with FDI inflows into the ADO framework. To our knowledge, few scholars utilized this approach to review FDI research. This structured approach is beneficial in two ways. To begin with, ADO pinpoints variables and factors surrounding FDI and categorizes them into antecedents (determinants), decisions, and outcomes. This systematically explores and understands how FDI inflows and outflows are made, what influences those flows, and what the outcomes of those flows are. Further, the ADO framework also contributes to explaining the mechanisms of the FDI flows. In other words, ADO enables systematic exploration of causal relationships by linking antecedents (push and pull factors) to decisions (whether to engage in outward

or inward FDI) and then to outcomes (the impacts on both home and host countries). For instance, changes in push factors (e.g., institutional and non-institutional factors) drive the decision to invest abroad, which then produces specific economic, infrastructural, and environmental outcomes in the home country. By contrast, the presence of attractive pull factors leads to inward FDI, which generates various outcomes such as economic growth, improved infrastructure, or technological advancements. Generally, this helps in identifying the pathways through which specific conditions lead to particular investment behaviors and their subsequent impacts.

Notably, by distinguishing between push and pull factors, institutional and non-institutional factors and further arranging them in a correlation matrix, the study allows for a nuanced analysis of how different factors contribute to the movement of FDI across borders. It introduces several novel elements and perspectives. This categorization matrix provides a dual-level analysis highlighting the bidirectional nature of FDI determinants. Accordingly, the review reveals that institutional and non-institutional factors drive firms to seek investment opportunities abroad and attract foreign investors to host countries. This implies that the same types of factors that push firms away from home can also pull them toward specific host countries. Additionally, the study reveals that FDI decisions are seen as influenced by both formal institutional structures and broader economic or social factors. This dual-level framework challenges the singular focus of many traditional FDI theories and suggests that investment decisions are more complex, requiring consideration of both institutional and non-institutional environments. In other words, the categorization matrix highlights that foreign direct investment (FDI) is impacted by both institutional and non-institutional variables in both the home country and the foreign country. This broad perspective offers a more comprehensive understanding of the motivations behind FDI. Further, the matrix is broad and adaptable, making it applicable to various countries, industries, and types of FDI (e.g., market-seeking, resource-seeking, etc.). This universality is a significant advancement, as it allows the framework to be used in diverse contexts, including emerging markets or specific sectors like technology or natural resources.

5.2. Strategic implications

This study additionally provides strategic implications for policymakers. This review offers strategic insights by unpacking the causal mechanisms linking FDI antecedents to firm-level and macroeconomic outcomes, thus challenging the often-assumed linear and uniform nature of FDI responses to policy stimuli. The synthesis reveals how institutional quality, market dynamics, and political stability interact differently across developing versus developed economies, suggesting that one-size-fits-all policy frameworks may be ineffective. Accordingly, we recommend that policymakers adopt a contingency-based policy model grounded in institutional theory and the eclectic paradigm, tailoring FDI incentives based on specific locational advantages and investor motives. Moreover, underexplored areas such as the role of digital infrastructure and green FDI demand urgent theoretical and policy attention.

In addition, the categorizing matrix towards FDI determinants serves as a tool for contextualizing FDI decisions in specific settings. The categorizing matrix of FDI determinants presented in this review goes beyond mere classification by offering a framework to interpret investment flows through the lens of context-specific dynamics. While most studies apply a universalist lens to FDI attraction, this matrix allows for differentiation based on a country's unique configuration of institutional and non-institutional and push and pull attributes. In doing so, it challenges the assumption that improving institutional quality alone is sufficient to attract FDI, revealing instead that political economy contexts and sectoral characteristics often mediate these effects. This insight has strategic policy implications: for example, countries with weak institutions but strong natural resource endowments may attract investment through stability guarantees rather than reforms. Policymakers can thus use the matrix not just to emulate «best practices» but to craft context-sensitive FDI strategies that align with their developmental goals. Future research should investigate how this matrix interacts with global trends such as ESG regulations, digital infrastructure, and geopolitical fragmentation, areas underexplored in current FDI literature.

6. Conclusion

This systematic review provides a comprehensive analysis of the factors that affect FDI inflows. It combines findings from 294 empirical studies done between 2008 and 2024. The review utilizes the TCM and ADO frameworks to classify the determinants of FDI into a matrix: vertical (host and home variables) and horizontal (institutional and non-institutional factors). The review acknowledges significant advancements in comprehending the economic, political, and institutional factors that influence FDI. However, it also notes notable deficiencies in the existing body of research. Significantly, there is excessive emphasis on pull factors while neglecting push ones, inadequate attention to the consequences for home nations, and a prevalence of cross-sectional research that restrict the thoroughness of study. Furthermore, current studies frequently give more importance to market mechanisms, business conduct, and economic expansion, while neglecting the significance of informal institutions and the wider social and environmental consequences of FDI. To fill these gaps, the review recommends doing additional longitudinal research to examine the lasting impacts of FDI determinants, conducting a more thorough examination of informal institutions, and conducting a more equitable analysis of both push and pull variables. Furthermore, it highlights the importance of conducting research that investigates the effects of FDI on the nations from where the investors originate, as well as its impact on sustainable development.

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Appendix 1. Future research questions and directions

	Gap area	**Pertinent research questions (RQ)/or Research objectives (RO)**
Antecedents	Pull factors towards FDI inflows dominated the literature. The studies on push factors were underrepresented.	RO1: To investigate push factors that influence FDI inflows
	In terms of institutional factors, the factors associated with governmental policies and regulations was underrepresented	RQ1: What are other factors related to policies and regulations impact FDI?
	In terms of non-situational factors, lack of studies investigates the impact of social-cultural factors	RQ2: Do social-cultural factors impact FDI investment?
Outcomes	Lack of outcomes related to home countries	RO2: To investigate impacts of FDI on home countries
	The debate of FDI's spillover impacts on home and host countries	RQ3: Do FDI's spillover negatively or positively impact a nation?
Theory	Most theories and frameworks widely used in this topic focused on market mechanisms, firm behaviour, and economic growth. Lack of studied in different perspectives.	RQ4: How do developmental state strategies influence the attractiveness of a country for FDI inflows? RQ5. How do game-theoretic dynamics shape the bargaining outcomes between host governments and MNCs in FDI negotiations? RQ6. In what ways does risk aversion influence the location selection decisions of multinational firms? RQ7. How can emerging economies strategically balance competitive fiscal incentives and environmental sustainability using behavioral frameworks?
Context	Most studies focused on the multinational or uninational contexts. Lack of studies focusing on other contexts such as cultural differences, industry, or force majeure	RQ8. How do historical, cultural, and ideological systems (e.g., socialist vs. capitalist regimes) influence FDI attraction strategies? RQ9. What are the differences in FDI policy effectiveness across under-researched regions such as Eastern Europe and South America? RQ10. How do force majeure events (e.g., COVID-19, armed conflicts) reshape the FDI landscape across political-economic systems? RQ11. In what ways do cultural distance and institutional trust mediate the success or failure of foreign investments in turbulent environments?
Methods	The majority of the studies are cross-sectional studies	RQ12. How do long-term macroeconomic and institutional factors interact with short-term shocks to influence FDI inflows (via VECM)? RQ13. What are the underlying rationales, perceptions, and barriers that shape foreign investors' decisions (via qualitative methods)? RQ14. In what contexts do different combinations of factors (using QCA) lead to high or low FDI inflow outcomes?

Source: Developed by the authors.