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THE NEXUS BETWEEN INTEREST RATES, CORRUPTION OF CONTROL AND INFRASTRUCTURE ON FOREIGN DIRECT INVESTMENT IN EMERGING ASIA

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Abstract: *This study examines the effects of interest rates, corruption of control, and infrastructure on Foreign Direct Investment (FDI) in emerging Asia. This study took samples from Indonesia, Malaysia, Thailand, India, South Korea, Oman, and Qatar. By using secondary data sourced from the World Bank with the period 2004 to 2021. This study uses a fixed effect model type of panel data regression. The results show that interest rates have a negative and significant effect on FDI, while control of corruption and infrastructure are able to significantly increase FDI. Foreign investors tend to look for a cheaper and more stable investment environment, therefore high interest rates make it less attractive. Developing Asian countries need to invest in infrastructure projects and ensure that transparent and clean business practices are implemented.*

Keywords: Interest Rates, Corruption Control, Foreign Direct Investment, Emerging Markets

JEL: E43, D73, H54, F21

1. INTRODUCTION

Globalization is changing the economic landscape in the world, making the country connected through international trade, investment and technology transfer (Matyushok et al., 2021). The globalization process also increases global market integration by efficiently facilitating the flow of goods, services, and models, and increasing dependence between countries. Foreign Direct Investment (FDI) plays an important role in providing stable and sustainable capital flows and facilitating the transfer of technology and critical managerial capacity. FDI is able to encourage productivity and innovation as well as the development of the labor market and export opportunities, accelerate industrialization and increase global competitiveness for capital-receiving countries. In Asia, the number of FDI showed an increase of 19 percent in 2021. This phenomenon places Asia as the main FDI recipient region in the world, accounting for around 40 percent of the total global FDI inflows. Deep United Nations Conference on Trade and Development (2023) explained that FDI inflows in developing Asian countries reached 662 billion USD in 2022. This increase also explains the importance of FDI to stimulate economic growth and development in the Asian region. FDI in ASEAN is attractive to global investors due to its potential for rapid economic growth and other factors such as strategic geographical location, political stability, government support, pro-investment policies, regional integration through the ASEAN Economic Community (AEC) (Hidayat and Shodrokova 2024).

In an open economy, interest rates are the main factor that affects international capital flows, one of which is FDI. Low interest rates can lower borrowing costs, encouraging investors (Malovaná et al., 2023). In addition, interest rates also affect currency exchange rates. High interest rates compared to other countries, are able to attract investors to place

their funds in the country, thereby increasing the demand for the local currency and strengthening its exchange rate. Research (Adewale, Olopade, and Ogbaro 2024) explains that high interest rates in a country tend to attract more foreign investment, due to the expectation of high returns.

The amount of corruption in a country is also able to inhibit FDI. Investors will tend to look for a stable and transparent environment, with low levels of corruption. The high level of corruption is able to create and increase operational costs, causing the country to be less attractive to foreign investors. According to research by (Zhang et al., 2019), corruption is able to increase transaction costs and reduce investment efficiency, so that the condition of countries with high levels of corruption will tend to receive low FDI. Other research by (Villanueva 2020), indicating that corruption control creates a more transparent and predictable environment.

Infrastructure also plays a key role in attracting FDI inflows, especially in emerging market countries (Shah 2014; Contractor et al. 2021). Good infrastructure is able to create an efficient and predictable business environment. Infrastructure such as highways, airports, energy, and telecommunications are able to increase the country's attractiveness as a FDI destination. Good infrastructure not only functions in urban areas, but also opens up opportunities in remote areas that have potential in economic activities, especially in sectors such as agriculture and mining. Digital infrastructure also plays an important role in attracting FDI, fast and wide internet access can increase the country's competitiveness in attracting investment in the technology and modern services sectors (Mensah and Traore 2024).

This research will explore the influence of interest rates, corruption, and infrastructure on FDI in emerging Asia. Emerging Asia is a region with rapid economic growth, but it

experiences several structural challenges. The merger of several variables such as corruption control, interest rates, and infrastructure together has not been discussed before. The research expands the understanding of how interest rates affect foreign investors' decisions, especially in an open economy. This study adds a new dimension to the literature by showing that good governance plays an important role in mitigating the country's risks and attractiveness to FDI.

This research consists of several parts. The first part of the researcher explained the background of the research including urgency, objectives, and factors affecting FDI. The second section contains a literature review that covers previous theories and research, while the third section will discuss data, methods and selection of analysis tools. The fourth part will show the results of the analysis accompanied by a discussion. Finally, the fifth section presents its conclusions and implications.

2. LITERATURE REVIEW

The interest rate is one of the monetary policy instruments implemented by raising and lowering the interest rate (Sari et al. 2023). On the interest rate channel, changes in the benchmark interest rate affect bank deposit rates and lending rates (Andaiyani et al. 2022). This interest rate reduction can stimulate the business sector to borrow and invest capital and encourage people to take credit (Hakim et al. 2023). The liquidity preference theory developed by Keynes posited that interest rates in the market are determined by individual liquidity preferences which are ultimately determined by the demand and supply of money (Rezende 2015). Liquidity preference theory explains that people are willing to give up interest income to own price-protected assets in the short term because of the capital and price uncertainty associated with dependence on market liquidity. Therefore, interest rates are a monetary phenomenon and are determined independently of savings and investments.

Low interest rates make money cheaper to borrow, so the cost of capital for investment decreases (Ferrari et al., 2018).

Infrastructure plays an important role in influencing investment decisions in a country, as it is directly related to the effectiveness and efficiency of the investment itself. According to Mankiw (2013) Infrastructure includes various forms of public capital such as bridges, highways, sewer systems, and other facilities, which function as strategic public assets. In the framework of the Location Advantage theory, which is an integral part of the eclectic paradigm or the OLI Framework (Ownership, Location, Internalization), infrastructure is considered one of the main components of location advantage (Rahman et al., 2018). According to this theory, multinational companies make investments by looking at ownership advantages, location advantages, and internalization. Good and efficient infrastructure is able to increase a country's competitiveness by reducing costs and increasing productivity (Bah et al., 2015).

Previous research has stated that corruption can have a significant impact on the economy and the many negative impacts caused. Countries with high corruption and rent-seeking practices often show a decline in the amount of investment as well as economic growth (Iqbal and Daly 2014). Corruption creates uncertainty and lowers investor interest (Abotsi 2016). In addition, according to Belgibayeva & Plekhanov, (2019) shows that a country with strict corruption control is able to stimulate capital inflows. In the study Bhujabal et al (2024) and Nguyen et al (2021) found that corruption control is able to increase investment.

Some studies have found that interest rates have a negative relationship with FDI, suggesting that high interest rates can increase capital costs and hinder investment decisions,

as found (Boburmirzo and Boburjon 2022); (Rathnayake et al. 2023). In addition, research by Shah, (2014) suggested that infrastructure has a positive and significant effect on FDI in developing countries, highlighting that quality infrastructure improves the attractiveness of investment locations by reducing operational costs and improving efficiency, which in turn influences investment decisions.

3. DATA AND METHODS

This study adopts a quantitative method by utilizing secondary data obtained from the World Bank to analyze the influence of interest rates, corruption control, and infrastructure on Foreign Direct Investment (FDI). The panel data used covers the annual period from 2004 to 2021, with the sample consisting of seven developing Asian countries. Emerging Asia was chosen because of its rapid economic growth and significant FDI potential. The countries observed were Indonesia, Malaysia, Thailand, India, South Korea, Oman, and Qatar — representatives of various sub-regions in Asia, including South Asia, Southeast Asia, and East Asia, and are known to have high FDI rates. The explanation of the operational variables is shown in Table 1.

Table 1: Variable Operational Definition

Variables	Information	Unit	Source
FDI	FDI is calculated as the net flow of new investment minus divestments, and the result is normalized by the country's GDP to evaluate the relative proportion of FDI in the economy.	%	World Bank
Real Interest Rate	Real interest rates are inflation-adjusted lending rates, which are measured by GDP deflators.	%	World Bank

Control of Corruption	A unit that measures perceptions of the extent to which public power is used for personal gain, including small and large forms of corruption, as well as the "expropriation" of the state by elites and private interests.	Percentile 0-100	World Bank
Infrastructure	Infrastructure is pro-classified, using Gross Capital Formation (GCF). The GCF was previously known as gross domestic investment, which consisted of spending on the addition of fixed assets of the economy coupled with a net change in inventory levels.	%	World Bank

Source: Author's Compilation, (2024)

The data analysis technique uses panel data regression with the selected model being a fixed-effect model represented by Equation (1).

$$FDI_{it} = \beta_0 + \beta_1 IR_{it} + \beta_2 CC_{it} + \beta_3 INFR_{it} + e_{it} \quad (1)$$

Where: FDI is a representation of foreign direct investment which is a dependent variable; β is a constant; IR to indicate the real interest rate variable; CC shows corruption control variables; INFR shows infrastructure variables; i is the ith cross-section; t is the time series; while e is the term error.

4. RESULTS AND DISCUSSION

4.1. Foreign Direct Investment (FDI) Movement in Emerging Asia

FDI makes a potential contribution to the development and prosperity of the global economy like other forms of capital flows by channeling resources from abundant countries to resource-poor countries. Based on Figure 2, India and Indonesia show an increasing trend during the study period. Meanwhile, Qatar, Oman, Thailand, Malaysia, and South Korea showed a decline in FDI (% of GDP). Qatar shows the FDI trend with the fastest decline. Qatar relies heavily on the energy sector, especially natural gas and oil. Fluctuations in global energy prices can affect FDI flows (Kahouli and Chaaben 2022).

Indonesia and India showed an increase in FDI. Indonesia experienced a significant increase in FDI flows due to strong fiscal policy and consistent economic growth. Structural reforms undertaken by the government, including tax incentives, law enforcement, and business certainty, have pushed FDI into key sectors such as gas, electricity, water, and transportation. This policy, along with lower interest rates for exporters and favorable energy tariffs, makes Indonesia one of the top 20 countries in terms of foreign investment receipts, with Japan and the United States as the main sources of investment (Udemba and Philip 2022). India has seen a significant increase in FDI flows thanks to free market policy reforms and deep trade liberalization. India is gradually reducing trade barriers and opening up strategic sectors to foreign investment. The implementation of policies that support infrastructure and international relations, along with the establishment of Special Economic Zones (SEZs), has improved the business environment and attracted greater FDI flows (Jana et al., 2020).

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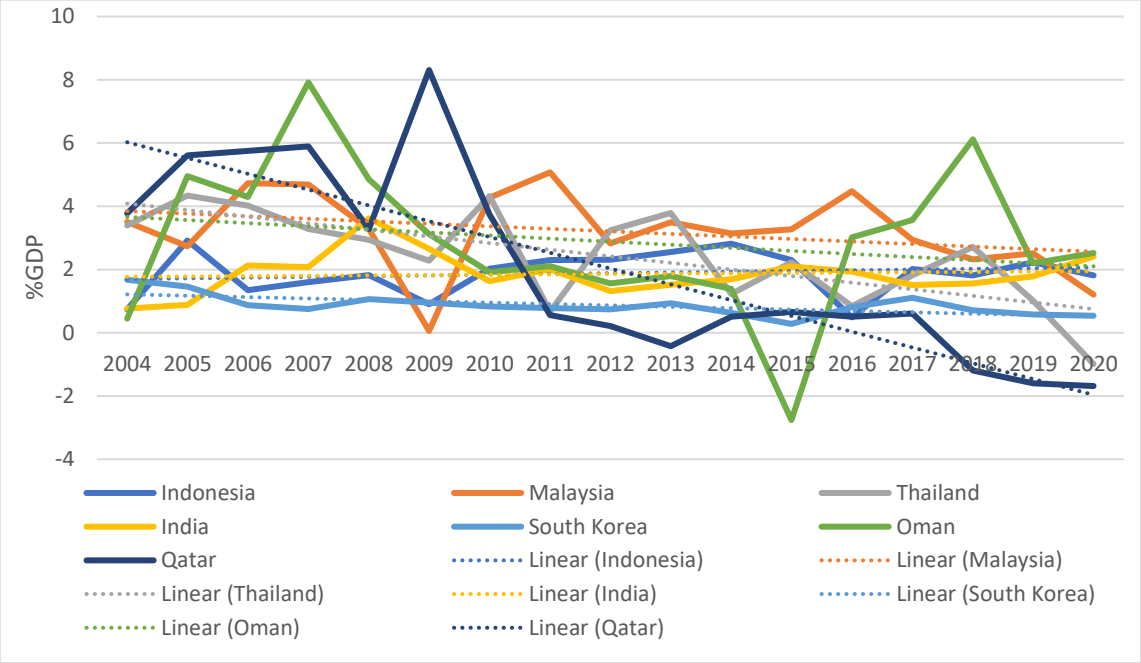
Figure 1: Foreign Direct Investment in Developing Asia



Source: World Bank, data processed, (2024)

Oman shows fluctuations with a downward trend in FDI. Although Oman is working to diversify its economy through Oman's Vision 2040, this progress is still limited and faces a range of structural challenges (Yahyai & Court, 2024). Limited infrastructure and underdeveloped business climate, as well as uncertainty in regulatory and administrative policies, also contributed to the decline in FDI. Malaysia and Thailand maintained relatively good FDI stability, albeit with a slight decline. Malaysia shows sectors such as technology, manufacturing and financial services continue to attract investment. Proactive policies such as the Malaysia Investment Development Authority (MIDA) and structural reforms have helped sustain FDI flows. On the other hand, Thailand is still dependent on the tourism sector. The Thai Board of Investment (BOI) policy provides incentives to investors and projects such as the Eastern Economic Corridor (EEC) help maintain stable FDI flows.

Although FDI flows in South Korea are relatively low compared to some neighboring countries in Asia. South Korea has a developed and diverse economy, with leading sectors such as information technology, automotive, and electronics offering significant investment opportunities (Ko et al., 2020). Large companies such as Samsung, Hyundai, and LG dominate the domestic and international markets, so the need for FDI is lower. Government policies that support investment, such as tax incentives and regulatory reforms, as well as excellent infrastructure, create a conducive business environment.

4.2. Interest Rate Development in Developing Asia

Interest rates are one of the significant macro factors in determining investment decisions, one of which is FDI. High interest rates tend to increase the cost of capital for investors, which means the cost of borrowing money becomes more expensive. This can reduce incentives for investors to make new investments or expand existing operations. Based on Figure 2, interest rates in developing Asia show an upward trend. Oman and Qatar showed the same trend in 2009 and 2015 experiencing very high increases in their interest rates. The surge was in response to changes in global economic conditions and oil prices. Oman and Qatar, both on oil exports, oil price fluctuations are rising, both countries will tend to increase interest rates to maintain economic stability and control inflation.

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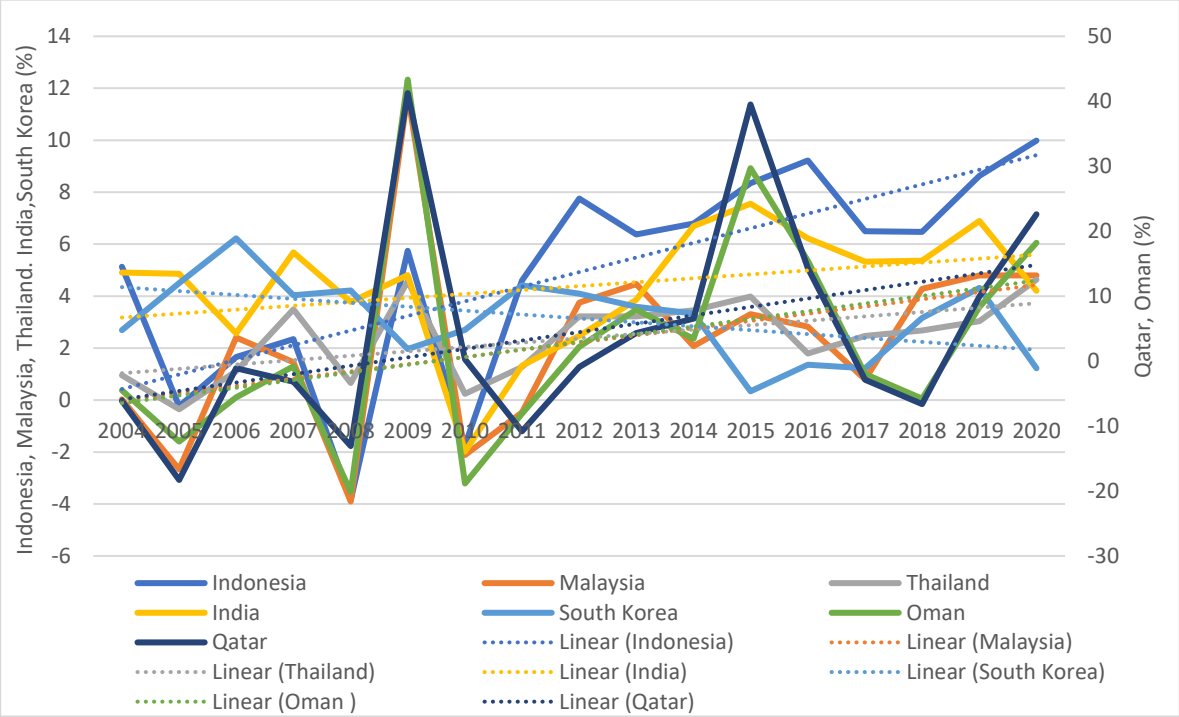
Figure 2: Real Interest Rates in Developing Asian Countries



Source: World Bank, (2024)

Korea showed little downward trend in real interest rates during the period studied. The Bank of Korea's monetary policy plays an important role, with the reduction of nominal interest rates as a strategy to boost economic growth and address domestic and global challenges. Relatively stable inflation during this period allowed the central bank to lower nominal interest rates without triggering a significant spike in inflation, resulting in a moderate decline in real interest rates. In addition, changes in the structure of the economy, such as an aging population and slower productivity growth, affect interest rate policies to ensure economic stability and stimulate investment (Mason et al., 2022). Technological developments and market efficiency also contribute to a more stable interest rate structure.

Indonesia shows a trend of increasing real interest rates. One of the main factors is the response to rising inflation, which is influenced by the surge in prices of food, energy, and

other consumer goods. To control inflation and stabilize prices, Bank Indonesia implements tighter monetary policy by raising the nominal interest rate, which in turn raises the real interest rate (Hudaya and Firmansyah 2023). Bank Indonesia (BI) has implemented monetary policy that is responsive to inflationary pressures. Real policy rates rise above the neutral real rate (NRIR) during periods of high inflation to control inflationary pressures and stabilize the economy (International Monetary Fund, 2023). Dependence on certain sectors such as the financial and commodity sectors could be a factor influencing foreign investment and financial market in Indonesia (Hidayat et al. 2023).

4.3. Development of Corruption Control in Developing Asia

In many studies, corruption is one of the factors considered by investors. Corruption adds uncertainty regarding investment returns and reduces individual incentives to invest. In an environment with rampant corruption, for every monetary unit invested, a large number of monetary units will be wasted—which means less investment (Goczek 2018). While countries with low corruption rates attract more investment (Erdogan and Unver 2015). Corruption control is one of the things that plays an important role in the entry of FDI (Nguyen et al., 2021). Based on Figure 3, all developing Asian countries studied showed an increase in corruption control, except for Oman and Thailand which showed a slight downward trend.

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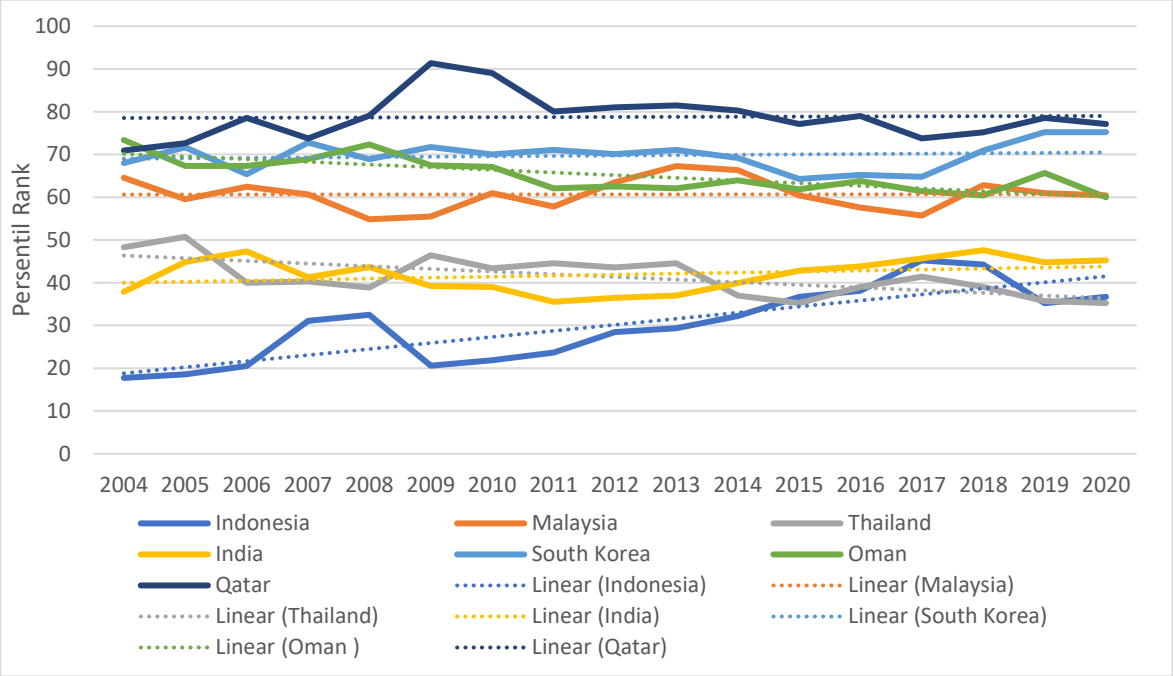
Figure 3: Corruption Control in Developing Asian Countries



Source: World Bank, (2024)

Qatar, Oman, South Korea, and Malaysia are consistently above the 50, indicating relatively good levels of corruption control. In contrast, Indonesia, India, and Thailand are still in the 20-50 range, showing significant challenges in controlling corruption. Qatar as the country with the highest corruption control compared to other countries studied. Qatar's success in tackling corruption can be attributed to a series of strategic initiatives. The country has implemented strict anti-corruption laws, which include clear penalties and extensive deployment of anti-corruption policies (Mattar 2022). In addition, Qatar is actively collaborating with other countries in efforts to eradicate corruption, strengthen international frameworks, and enforce transparency practices. These measures not only improve Qatar's ranking in corruption control measurements, but also strengthen its attractiveness as a safe investment destination.

The high level of corruption control in Indonesia shows substantial progress in the country's efforts to improve governance and reduce corrupt practices. This progress has been influenced by various policy and regulatory reforms introduced, the strengthening of the role of the Corruption Eradication Commission (KPK), and increased transparency and accountability in the management of the public budget (Permana 2023). Support from civil society and the media also contributes to the surveillance and disclosure of corruption cases. These systematic and planned efforts reflect significant progress in improving public perception of the government and increasing investor confidence, although challenges remain and need to be addressed through ongoing efforts.

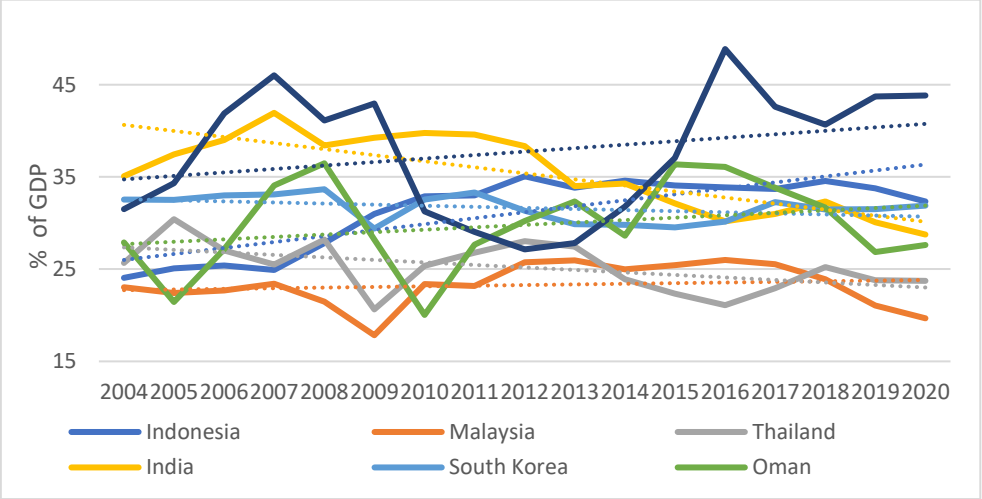
Thailand and Oman experienced a downward trend related to corruption control. One of them is the lack of transparency in government, which hinders the effectiveness of efforts to eradicate corruption. The Thai government, which often engages in non-transparent practices, complicates the process of public oversight and accountability (Putri 2023). In addition, political and military intervention also worsened the situation. Military involvement in politics and decision-making often carries certain interests that ignore the principles of transparency and integrity. As a result, anti-corruption reforms become ineffective and law enforcement related to corruption is disrupted. In Oman, this decline is due to weak surveillance systems and the implementation of anti-corruption policies (Al-saadi and Khudari 2021). Despite reform efforts, reliance on large bureaucratic structures and a lack of transparency in administrative processes often make it difficult to enforce consistent laws. However, the Government of Oman has taken strategic steps to improve corruption control and increase transparency and accountability. This includes cooperation with the Malaysian government on an economic diversification strategy known as 'Tanfeedh' (2016-2020), which

aims to reduce dependence on oil and expand other sectors of the economy (Ibrahim et al., 2022).

4.4. Infrastructure Movements in Developing Asia

The availability of infrastructure such as telecommunications, railways, airports, ports and roads reduces operational costs, tariffs, and facilitates access to new markets in certain countries (Nguea 2021). From Figure 4, the highest infrastructure is achieved by Qatar, followed by Indonesia and Oman. Qatar's massive investment achievements in the infrastructure sector especially ahead of major events such as the 2022 World Cup, boosted facilities such as sports, transportation, and accommodation. In addition, Qatar's economic diversification strategy that focuses on reducing dependence on oil and gas plays a major role in the country's infrastructure. On the other hand, Indonesia, as the largest country in ASEAN, shows increased connectivity such as the construction of toll roads, airports, ports, and other strategic projects. Oman also has significant investments in transportation and logistics, strengthening Oman's position as a logistics hub in the Middle East. Malaysia showed the lowest percentage of spending on infrastructure, but showed an increasing trend. Malaysia is committed to increasing infrastructure investment as part of their long-term development plan. The existence of Mass Rapid Transit (MRT) and Light Rail Transit (LRT) has improved Malaysia's transportation system.

Figure 4: Infrastructure (% of GDP) in Developing Asia



Source: World Bank, (2024)

India, South Korea, and Thailand showed a decline in the percentage of infrastructure capital to GDP. India has several initiatives such as Make in India and Smart Cities Mission, but many are diverting funds to other sectors that are considered more urgent. South Korea is due to tighter fiscal policy and a focus on the technology and industrial sectors. Meanwhile, Thailand is due to political uncertainty and economic stagnation. In addition, trade liberalization policies that reduce import tariffs and export subsidies also play an important role. Although these policies increase imports and trade, they reduce incentives for investment in traditional industrial sectors. Cumulatively, the impact of this economic uncertainty and trade policy has led to a decline in gross capital formation, although tariff liberalization is expected to boost economic growth through comparative advantages and specializations. The decline in GFC in Thailand is due to prolonged political instability, lack of government transparency, and military intervention that reduces investor confidence (Taskinsoy 2019). This uncertainty makes companies and investors more cautious in making large investments in infrastructure and fixed capital. Global economic challenges and slowing

domestic demand have also contributed to a decline in investment, thus hampering GFC growth.

4.5. Descriptive Statistics

Based on Table 2, the country with the highest FDI value, namely Qatar in 2009, shows that Qatar was able to attract substantial foreign investment during the period. This is due to economic policies that support investment, political stability, or the wealth of natural resources, such as natural gas, which are the main attractions for foreign investors. This high investment has the potential to accelerate economic growth, create jobs, and improve infrastructure in Qatar. In contrast, Oman, which recorded the lowest FDI value in 2015, has struggled to attract FDI.

Table 2: Descriptive Statistics

	FDI	SB	CC	INF
Mean	2.163171	3.494652	55.40348	30.60167
Median	2.002063	3.307038	60.47619	30.42075
Maximum	8.307641	43.34257	91.38756	48.86907
Minimum	-2.76002	-20.129	17.73399	17.83569
Std. Dev.	1.785706	9.053714	17.23322	6.241703
Slope	0.581073	1.632981	-0.22715	0.437467
Curtosis	4.337211	10.141	2.085679	2.885544
Jark-Bera	15.5628	305.7325	5.168401	3.860611
Probability	0.000417	4.08E-67	0.075456	0.145104
Sum	257.4173	415.8636	6593.014	3641.598

Number of Sq. Dev.	376.272	9672.429	35044.11	4597.145
Observation	119	119	119	119

Source: Author's Calculation, (2024)

Interest rates, with an average of 3,495 and a median of 3,307, show the stability of most of the data, but extreme fluctuations are seen with a high of 43,342 in Oman in 2009 and a low of -20,129 in Oman in 2008. These fluctuations signal economic instability or extreme monetary policy, which can affect investment attractiveness and economic growth. Corruption control has an average of 55,403 and a median of 60,476, reflecting variations in corruption control between countries. Qatar reached a high of 91,387 in 2009, demonstrating strong corruption control, while Indonesia in 2004 recorded a low of 17,733. High levels of corruption control are associated with a better investment climate and more stable economic growth. Infrastructure shows an average of 30,602 with a median of 30.42075, signifying a relatively uniform level of development in many countries. Qatar recorded a high of 48,869 in 2016, indicating a large investment in infrastructure, while Malaysia in 2009 had a low of 17,835. Good infrastructure supports economic growth by increasing efficiency and investment attractiveness.

4.6. Estimated Results

The selection of panel data regression models was carried out using the Chow Test and Hausman Test to determine the most suitable Common, Fixed, and Random Effect models. The results of the Chow Test show a p-value of 0.0000, which shows that the Fixed Effect is more accurate compared to the Common Effect. The Hausman test yielded a p-value of 0.0460, which is less than a significance level of 0.05, indicating that Fixed Effects are more

precise than Random Effects. Thus, Fixed Effect was chosen as the most appropriate model for the analysis in this study, as described in Table 3.

Table 3: Panel Data Regression Estimation Results

Part A: Best Model			
Test	**Prob.**	**Decision**	
Chow Test	0.0000***	Fixed Effects Model	
Hausman Test	0.0460**	Fixed Effects Model	
Part B: Random Effect Model			
Variable	**Coefficient**	**T Statistics**	**Prob.**
C	-3.6732	-1.8830	0.0624*
IR	-0.0470	-2.7938	0.0062***
CC	0.0630	2.0921	0.0388**
INFR	0.0819	2.1707	0.0321**
R-squared	0.2586		
Prob (F-stats)	0.0001		
Section C: Interception			
Country	**Cross-sectional effects**		
INDONESIA	1.3316		
MALAYSIA	1.2503		
THAILAND	1.5314		
INDIA	0.1955		
SOUTH _KOREA	-2.3049		
OMAN	0.1432		

QATAR	-2.1472

Note: *, **, and *** indicate the level of significance at the 10%, 5% and 1% levels

Source: Eviews, data processed, (2024)

Based on Table 3, the results of the estimation of the panel data regression equation are described in the following Equation (2).

$$\mathrm{FDI}_{it} = -3.6733 - 0.0470\ \mathrm{IR} + 0.0630\ \mathrm{CC} + 0.0819\ \mathrm{INFR} \quad (2)$$

A constant coefficient of -3.673251 indicates that if other independent variables such as interest rates (IR), corruption control (CC), and infrastructure (INFR) are considered constant or zero, then FDI will decrease by 3.6732. This analysis reveals that an interest rate with a coefficient of -0.047036 and a probability value of 0.0062 means that it has a negative and significant effect on FDI at a significance level of 99 percent. This shows that every one percent increase in interest rates will reduce FDI by 0.0470. In contrast, corruption control (CC) showed a positive coefficient of 0.0630 with a probability of 0.0388, which showed that corruption control was significant at the level of $\alpha = 10$ percent and positively correlated with FDI. A one-percent increase in corruption control will increase FDI by 0.0630. The infrastructure variable (INFR) also showed a positive effect with a coefficient of 0.081934 and a probability of 0.0321, indicating that infrastructure is significant at the rate of $\alpha = 5$ percent and every one percent increase in infrastructure will increase FDI by 0.0819 percent.

Coefficient in this model show the value of FDI when interest rates, corruption control, and infrastructure are at minimum or constant levels. Based on the model, the intercept values for several countries show different variations, namely Indonesia (1.331619), Malaysia (1.2503), Thailand (1.5314), India (0.1955), South Korea (-2.3049), Qatar (-2.1471), and

Oman (0.1432). This means that when all independent variables are constant, countries with positive intercept values such as Indonesia, Malaysia, and Thailand are expected to get higher FDI than countries with negative intercepts such as South Korea and Qatar.

4.7. Analysis of the Relationship between Interest Rates and FDI

The study showed a negative and significant relationship between interest rates and FDI flows in emerging Asia, reinforcing the findings Fornah & Yuehua, (2017) which emphasizes that interest rates play an important role in influencing foreign investment decisions. An increase in interest rates can influence investors' decisions. High interest rates will increase borrowing costs, making investment projects less profitable. This is in line with the interest theory which states that low interest rates will increase investment. Low interest rates also indicate that the economy is in an easing phase, meaning that economic activity is more productive (Bernanke 2019). Low interest rates make investors more likely to invest because the yield from saving in banks becomes less attractive (Adrian and Liang 2016).

In emerging Asia, generally low interest rates are applied to support economic growth and attract FDI. Oman and Qatar often apply high interest rates to control inflation and maintain economic stability amid energy price volatility. Meanwhile, Bank Indonesia often lowers interest rates to encourage domestic borrowing and consumption. Bank Negara Malaysia shifts from monetary aggregate targeting to interest rate targeting since Asian financial crisis (Chung and Ariff 2014). Meanwhile, Thailand implements low interest rates to boost economic activity but is also active in fiscal policy to support infrastructure spending. Meanwhile, India in recent years, has raised interest rates gradually to stabilize the economy and control rupee-triggered inflation and rising global commodity prices.

4.8. Analysis of Corruption Control on FDI

Corruption control has a positive and significant impact on foreign direct investment (FDI) flows, which is consistent with findings from previous studies (Belgibayeva and Plekhanov 2019); (Erdogan and Unver 2015). The results of the analysis support the hypothesis that corruption control contributes positively to FDI inflows by reducing uncertainty caused by corruption, which often acts as a tax on entrepreneurship and productive activities (Goczek, 2018). The uncertainty arising from corruption can lower the return on investment and increase its variance, thereby hindering investment activity and reducing market attractiveness. In contrast, effective corruption control provides transparency and reduces additional costs that need to be incurred by investors, increasing profitability and reducing business costs. To combat corruption, the government needs to strengthen institutions, develop and implement national anti-corruption plans and strategies, and demonstrate strong political will and leadership.

Indonesia has experienced a fairly good increase in corruption control. It is supported Organizational culture factors, codes of ethics and internal control systems implemented by the government have a positive effect on corruption prevention efforts in ministerial institutions in Indonesia. Meanwhile, although Oman has ratified the UN convention to combat corruption, it still raises the problem of a lack of procedural transparency (Bertelsmann Stiftung Transformation Index, 2024). Oman is at a score of 43 in 2023 which is its worst year (Transparency.org 2023). Qatar has a constant trend of movement but remains at the highest position. After the ratification of the UN convention, Qatar then introduced many national laws on money laundering and corruption eradication (Alleyne

2018). Thailand has a downward trend in corruption control. Prevention of corruption in public procurement in the public procurement process in Thailand is still inadequate. Improving career paths for government officials who are experienced in prevention, strict regulations on public procurement corruption, and the elimination of legal loopholes in the Government Procurement and Management Law are essential. Malaysia is a country with the lowest corruption control trend, one of which is due to the inability to be transparent in the process of procurement of goods and services by the public sector. India is a corrupt country, but according to Transparency International, its corruption rate has declined and is not as high as similar countries. Corruption in India is slowly fading due to strong civic traditions and a rejection of corruption that sparked protests and election campaigns (Riley and Roy 2016). South Korea is considered successful in democratization that improves governance and reduces corruption.

4.9. Analysis of Infrastructure on FDI

This study reveals that infrastructure has a positive and significant influence on FDI flows. These findings support the existing theory, where infrastructure is considered one of the main determining factors in attracting investor interest. These results are also in line with previous research by Sabir et al., (2019); Cleeve et al., (2015); Adarov & Stehrer, (2021). Infrastructure includes transportation systems, highways, airports, ports, railways, and telecommunications, all of which contribute to the creation of a conducive investment environment. Adequate infrastructure allows foreign investors to feel more confident in investing in the host country by minimizing transaction and operational costs (Ryota 2018). The main problem facing developing countries in the economic development process is

inadequate infrastructure, which often leads to high transaction costs and hinders investment flows (Dang & Pheng, 2015).

In terms of infrastructure, Oman enjoys more than four major free economic zones, including the Sohar free zone, the Duqm free zone, the Salalah free zone, and the Almazyona free zone. All of them have strategic locations overlooking the Indian Ocean and the Arabian Sea (Al-khamisi 2021). Meanwhile, Qatar has more than USD 200 billion budgeted for investment in the massive construction of roads, stadiums, facilities, and other major projects in the State of Qatar in the period between 2011-2022 in preparation for the FIFA World Cup Qatar 2022 and Qatar National Vision (QNV) 2030 (Gray, 2023). Infrastructure has always been able to influence the level of foreign investment in Indonesia. In the short term, the impact of infrastructure can be felt by companies because it concerns the costs that companies must incur for investment activities (Gems & Panca, 2023). Thailand faces many problems that delay or thwart projects, especially due to difficulties in maintaining political stability and carrying out reforms. Rampant corruption has become a culture in business affairs, creating unethical practices that undermine the quality of infrastructure projects (Lombardo et al., 2015). South Korea's latest policy on infrastructure is to adopt a social infrastructure perspective by realizing that improving the quality of life by providing facilities and services that support people's daily lives will have a positive impact on local production (Kim et al., 2020). Meanwhile, in Malaysia, it was mentioned that during the Tenth Malaysia Plan (2011-2015), the Malaysian government made major investments in transportation, digital, and energy infrastructure in line with the increasing demand for these assets.

5. CONCLUSION

The study shows that interest rates, infrastructure, and corruption control play an important role in determining the flow of Foreign Direct Investment (FDI) in developing Asian countries. The significant negative relationship between interest rates and FDI flows supports previous findings suggesting that high interest rates reduce investment attractiveness due to rising capital costs. This is in line with Keynes' theory which states that low interest rates can spur investment by lowering the cost of capital, as well as providing greater incentives for investors to invest their capital. Additionally, interest rate stability is an important indicator for investors looking for a safer and more predictable investment environment. Adequate infrastructure has proven to have a positive and significant effect on FDI inflows. Good infrastructure, including transportation systems, telecommunications, and other facilities, creates a conducive environment for foreign investment by reducing transaction and operational costs. Relying on corruption has also been proven to be able to increase capital inflows in a country. Corruption control is able to improve the country's image and create a more conducive investment climate.

Based on the findings of this study, it is recommended that emerging Asian countries continue to strengthen their infrastructure to create a more attractive investment environment for foreign investors. The government needs to allocate more resources to the development and maintenance of critical infrastructure, such as transportation, telecommunications, and energy facilities, which can reduce transaction and operational costs for investors. Countries such as Indonesia and Malaysia have shown success in attracting FDI through large investments in infrastructure. Meanwhile, Oman and Qatar, which implement high interest

rates to control inflation, need to consider more balanced policies to attract more FDI without sacrificing economic stability. The government also needs to adopt more transparent and effective policies in controlling corruption to increase investor confidence. Countries like South Korea have shown that effective corruption control can create a more stable and attractive investment environment, which in turn can drive long-term economic growth. Increased corruption control in India and Thailand can also increase investment attractiveness by reducing additional costs incurred by investors. With the right strategy, emerging Asian countries can increase their attractiveness to foreign investors, strengthen local economies, and improve the overall well-being of society.

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