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Motives for Inward Foreign Direct Investment into Thailand: A Quantitative Analysis

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Abstract

This study aimed to formulate a conceptual framework regarding the Foreign Direct Investment (FDI) location choice made by corporations and identified the motivational factors of the FDI location choices. The framework and associated hypotheses were empirically tested in Thailand. The framework was derived from existing FDI literature and consists of market, resource and efficiency seeking motives as well as institutional factors and general macroeconomic indicators towards the FDI location choice in Thailand. The objective of this research was to extend the understanding of FDI location decisions and hence provide more informed recommendations to Thai policy makers and business practitioners, as well as contribute significant knowledge to academic literature about the most influential determinants for FDI location choice in Thailand. The approach was a quantitative analysis as this provided an overview of the determining factors of FDI inflows into Thailand. Data from a number of companies was collected by using a questionnaire. In order to ensure the reliability of the proposed survey, quantitative techniques such as Cronbach's Alpha and Item-Objective Congruence were applied. Furthermore, descriptive statistics and a multiple linear regression analysis were used to determine the influence of the independent variables obtained from the conceptual framework of this research study. The research study identified that macroeconomic indicators, market-seeking motives and efficiency-seeking motives have a significant positive influence towards the FDI location choice of Thailand. Notably, resource-seeking motives and institutional factors did not have a significant influence. To the best of my knowledge this research study contains no material previously published or written by another person except where due reference is made in the text of the examinable outcome.

Keywords : Foreign Direct Investment (FDI), Motives, Determinants, Inward, Thailand, Location Choice

JEL Classification Code: H10, H13, G11, G12, G24, F62

1. Introduction

Over the last few decades, globalization led to an increase of intercontinental trade on a very large scale, hence changing political and economic environments worldwide. Since the beginning of the 1990s FDI inflows and outflows increased globally, however this was most significant in developing countries, where FDI levels reached new records on a yearly basis (Xiao & Park, 2017). Multi-National Enterprises (MNE's) fueled this economic development by engaging in international business activities and transnational operations and hence influenced the patterns of technological transfers, cross-border flow of goods as well as capital transfers (Dunning, 2003). The contribution of MNEs can be considered as a key driver of the globalization process, shaping economic development, particularly among developing countries. For developing economies, FDI's by MNEs provided a significant source of external financing and hence played an important role in the economic integration process (UNCTAD, 2005). FDI distinguishes itself from other forms of capital investment in terms of the market entry mode, which typically includes the establishment of physical facilities in the host country, and hence follows a

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long-term strategy. In this case host countries benefit from a variety of factors such as local employment opportunities and technological knowledge transfer (Kohpaiboon, 2003). Furthermore, the host countries might gain advantages due to the introduction of new managerial techniques and technological spillover effects. The impact of FDI towards the host countries as well as to the investing companies itself resulted in an increased importance of this area not only for business practitioners, but also for academic research in this field (Janicki & Wunnava, 2004).

Thailand maintains a long tradition of FDI, which played a key role in the economic success of the country. In the mid-1980s Thailand benefited from a massive production relocation, mainly from Japan and China. This was the result of attractive labor costs combined with a favorable exchange rate and investment benefits. During the 1990s FDI inflows into the electronic and automotive industry made Thailand the 20th place of FDI destinations worldwide (OECD, 1999). This position has been maintained and is likely to be enhanced by considerable reforms in laws and regulations aiming to increase its competitiveness among neighboring countries. In effect the rights of creditors and borrowers have been strengthened and regulations in order to clarify organizational structures and corporate governance were implemented. Thailand was able to improve its position as an attractive business location considerably, ranking 21st place in the World Bank's Doing Business report 2020 (The World Bank Group, 2020). Furthermore, the Thai Board of Investment (BOI) is granting several investment promotions to attract FDI. The incentives include tax benefits as well as non-tax incentives such as customs duty exemption or reduction for imported raw materials and machinery and land ownership for foreign companies (BOI, 2020).

Due to the significant impact on the host countries' economy as well as the efficiency and profitability of MNEs, FDI has been examined by many different research areas over the last years. The theoretical approaches include the international business theory, managerial styles and macroeconomic theory (Franco et al., 2010). The location choice of FDI is a complex issue, since it affects the host country and MNEs in their performance (Yean et al., 2018). The most profound work on FDI location choice was conducted by Dunning in the late 1980s. Based on his "Ownership-Location-Internationalization" (OLI) framework alias eclectic paradigm, which is an extension of the internationalization theory, Dunning demonstrated that the location factor reflects the advantages of a specific host country compared to other countries (Dunning, 1988). In further research of Dunning, specifically addressed the location choice of MNEs and established the taxonomy of FDI motives. The motives can be categorized into market-seeking motives based on the host country market size and growth potential, comprising the market growth and market size of the host country. Resource-seeking motives may be physical natural resources like oil and gas but also include the availability of skilled or unskilled labor. For efficiency-seeking motives the strategic location and connections to related industries are the driving factors. Strategic-assets-seeking motives, unlike the previous three types of FDI, are less to exploit the benefits a company already have, but contribute more to existing or to obtain new ones that contribute to long-term competitiveness, which is widely argued to be mostly relevant for the FDI location choice in developed countries (Dunning, 1993). Therefore, this last motive is excluded from the research framework of this study. Institutional factors include the three components of: formal rules, informal rules and enforcement mechanism (Dumludag, 2009). According to North (1990) there is a significant impact of political institutions and legal environment on the economic performance of a country. Minimized transactional costs and uncertainty factors increase competitiveness regarding FDI inflows from MNEs (North, 1990). In a comprehensive study of Jensen (2006) a positive influence of institutional factors and FDI inflows was identified (Jensen, 2010) and hence included in this research. There are extensive publications in the FDI field however, it is still a new research area that started in the 1960s. In 1966, Vernon used the product life cycle theory in order to develop a theory regarding FDI. During the early 1970s it was argued that MNEs advantages and the oligopolistic reactions of competitors are the fundamentals of foreign investments (Knickerbocker, 1973). Dunning's Eclectic Paradigm, also referred to as OLI framework provides a comprehensive perspective on the FDI location choice, including the factors ownership, location choice and internationalization. The location choice provides an explanation why MNEs might choose one host country over another (Dunning, 1988). However, Kang and Jiang (2012) argued that the OLI framework can only partially explain FDI motivations since it does not take institutional factors into consideration (Kang & Jiang, 2012). Based on theoretical literature studies the following gaps regarding FDI location choice have been identified.

Firstly, the fundamental research and theories are based on observations in developed countries as globalization FDI flows were predominantly in developed economies (Dunning, 2001). Secondly, the majority of studies conducted in this research area followed a macroeconomic approach by using panel data and hence explain the FDI location choice based on the country's economic performance, although it is evident that investment decision are a firm-level decision and research studies based on this approach only partially explain an MNE's FDI location choice (Boateng et al., 2015; Bitzenis & Žugić, 2014; Uddin et al., 2019). Thirdly there is a lack of research using a microeconomic approach which examines a MNEs FDI location choice from a firm-level perspective. In Thailand, it appears there have been no associated research studies.

The purpose of this research study is to explore the motivational factors of corporations for inward FDI into Thailand. The developed conceptual framework is derived from existing FDI literature and consists of the economic seeking factors of market, resource and efficiency. Furthermore, the framework was extended for institutional factors and general macroeconomic indicators. The formulated hypotheses will then be empirically tested to determine FDI location choice motives for Thailand. The purpose is to provide recommendations to the Thai policy makers, business practitioners as well as contributing significant knowledge to academic literature about the most influential determinants for FDI location choice in Thailand.

2. Literature Review

2.1. Overview of FDI Theories

There are numerous and different perspectives to the phenomena of FDI, however there is not a single, generally accepted theory. In the following section the purpose is to evaluate the most widespread and academically accepted theories of FDI. The first theory that will be examined in this research paper is the product life cycle theory by Vernon (1966). Secondly, the internalization theory developed by Buckley and Casson, in (1976) is reviewed. Lastly, the macroeconomic approach and the Eclectic Paradigm, also referred to as OLI framework by Dunning (1973) will be analyzed (Vernon, 1966; Buckley & Casson, 1976; Dunning, 1973, 1988, 1993).

2.1.1 Product Life Cycle Theory

The product life cycle theory, developed by Vernon in 1966, was used to explain certain shifts of international trade and international investments. The roots of the research are based on the analysis of companies from the United States of America, investing into the manufacturing industry of Western Europe after the Second World War. According to Vernon (1966) there are three stages within the product life cycle. The first stage are new and innovative products, intended to be sold on the domestic market. Thereby the focus is centered on the demand of the product as well as the flexibility of production and hence strengthen their market share and market dominance. In the second stage the standardization of products enables companies to export into other countries and realize economies of scale. In this stage the company's objective is to hold up its advantages in a competitive business environment. The last stage of this theory is considered the maturity phase, whereby the company may relocate its production facilities or to set up new subsidiaries in foreign countries in order to cut costs due to cheaper labor and resources. The aim of the theory was to determine the timing of MNEs for international business activities and the illustration that the location choice is an integrated part of this process (Vernon, 1966).

In further research conducted by Vernon in 1979 it was argued that in the first stage of the product life cycle, companies are generally less concerned with external cost factors such as labor and raw material costs since the products are innovative and have unique characteristics to distinguish them. The most important factors are effective communication networks, efficient product development and the successful launch into the local market, which is why in this early stage companies are less likely to relocate production into a foreign country. In the second stage however, the competition is likely to become more intense and the cost factors are increasingly relevant for the company. As a result, companies may shift production capacity or set up subsidiaries in foreign countries (Vernon, 1979). However, this theory is built on the assumption that companies only have market- seeking motivations for their foreign investment activities and neglect other determinants of FDI location choices like resource-seeking and efficiency-seeking motives.

2.1.2 Internalization Theory

The internalization theory was founded by Buckley and Casson in 1976 and demonstrates that FDI is a viable option for companies if the benefits outweigh the related costs and under the premise that the internal comparative advantage can be maintained. According to Buckley and Casson (1976), the main reason for companies conducting FDI results from the existence of market failure originating from transaction costs (Buckley & Casson, 1976). In addition, firms will conduct FDI only if the benefits of exploiting firm-specific advantages are superior to the relative costs of the foreign investment. Even though the theory was founded in 1976, its origins date back to the research conducted by Coase (1937). It submitted that due to transaction costs it might not be viable to enter into foreign investments and rather build internal markets (Coase, 1937). Based on the internalization theory it can be assumed that FDI is a firm-level decision rather than a financial capital market decision.

2.1.3 Macroeconomic Approach

The macroeconomic approach considers FDI as a variant of transnational capital flow between the investing country and the recipient economy and is recorded in the balance of payment statement of the countries, with the variable of interest being capital flows and stocks as well as profits obtained from these investments (Denisia, 2010). According to Lipsey (2004) the most influential determinants for FDI on a macroeconomic level are exchange rate, inflation rate, and economic growth rate of the country as well as the country's gross domestic product. Moreover, the overall quality of the infrastructure and the availability of natural resources. In order to be competitive as an FDI destination institutional factors and political stability of the country are considered as important factors (Lipsey, 2004).

One of the earliest theories from a macroeconomic perspective was developed in 1970 by Aliber and referred to as the capital market theory. In this work he argued that FDI are the result of capital market imperfections, with a particular focus on currency strength. He suggested that countries with weaker currencies are more attractive for foreign MNEs than countries with stronger currencies due to the advantage of differences in the market capitalization rate. Furthermore, he added that foreign MNEs benefit from cheaper capital borrowing. MNEs have access to the capital market in their home country and hence the parent companies are able to support their foreign subsidiaries. Eventually this provides a competitive advantage to these firms over local companies (Aliber, 1970, 1971). However, this theory does not take into account risk management strategies in order to control the currency risks involved. Lall (1979) stated that the underlying theory also does not explain FDI in less developed economies with highly volatile exchange rates and imperfect capital markets (Lall, 1979). Furthermore, Nayak and Choudhury (2014) argued that the capital market theory does explain foreign investments between developed countries, which both have strong currencies, as well as MNEs from weak currency countries conducting investments in strong currency countries (Choudhury, 2014).

Another approach on the macro-level is the institutional FDI fitness theory developed by Wilhems and Witter (1998). In this theory, the authors emphasize the role of governmental institutions in order to attract FDI inflows into the country. They investigated this theory in a context of African countries, and identified four pillars forming the institutional framework, namely the government itself, the educational system, the market and the socio-cultural component. There is continuous interaction between these factors which are inseparable for each other. In their research Wilhems and Witter (1998) argued the government's capability, also considered as government’s fitness, to attract and maintain FDI inflows is dependent on certain factors like low corruption, low degree on market interventions in terms of exchange rates and trade regulations as well as their ability to be adaptive in a highly dynamic business environment. Hence the most attractive countries for inward FDI activities are those able to take advantage of business opportunities and respond accordingly to certain threats (Wilhelms & Witter, 1998).

2.1.4 The Eclectic Paradigm – OLI Framework

The Eclectic Paradigm was developed by Dunning and is considered to be the most comprehensive and well-known theory of FDI. Based on the theories discussed above, he suggested an integrated approach to the structure, presence and location choice of FDI (Dunning, 1973). In this approach, he combined perspectives of the internalization theory as well as the theory of imperfect markets and complemented them with the location choice of MNEs (Dunning, 1988). In 1976 the Eclectic Paradigm was presented the first time at the Nobel Prize Symposium for international business trade. Dunning`s approach argues that companies have to fulfill three factors simultaneously in order to engage in a foreign direct investment. The first factor in his framework are ownership advantages, followed by the location choice and lastly internationalization. These three requirements of the OLI framework are presented in further detail (Dunning, 2003).

Ownership advantages “O” are both tangible and intangible assets in a firm’s possession. These advantages, exclusive to the specific company, provide the opportunity to engage in foreign investment activities, outperforming local competitors due to their superior performance abilities in certain areas. The ownership advantages can be classified into three different groups. Firstly, the company might have monopoly advantages due to their ownership of trademarks or patents. Furthermore, the access to limited natural resources or privileged governmental support can result in monopoly advantages for a company. Secondly, technological knowledge of the company such as R&D, production techniques or marketing skill allow the company to operate more competitively in their local market as well as in foreign markets. The last form of ownership advantages can result from a company's size by enabling leverage due to economies of scale, economies of scope and their easier access to financial funds (Dunning, 1988).

Location advantage “L” results mainly from differences of the home country and host country's attractiveness as a business environment. The most important factors regarding location choice involve natural resources, market structure, legal system and governmental policies regarding FDI. Furthermore, technological capabilities and the availability of appropriate workforce are significant determinants. Dunning emphasized that the possession of a country's location advantages is hardly transferable and differs among home country and recipient country. Generally, the location advantages comprising economic advantages for the company such as production costs, transportation costs, market size and related factors. As previously mentioned, political advantages for the host country result from certain governmental policies promoting the inflows of FDI as well as the overall political situation of the country. Another component is concerned with social advantages, which involve cultural diversity and openness of the local population towards FDI. The Eclectic Paradigm approach emphasizes the importance of the location choice for MNEs and considers it as an integral part for the FDI decision (Dunning, 1988).

Internalization advantage “I” is the third dimension of the OLI Paradigm and determines why a company chooses FDI as a market entry form rather than just using other entry modes such as licensing. Whereas the first ownership advantage provides an explanation why companies are conducting FDI and the location advantage clarifies in which host country the FDI is intended to take place, the internalization advantage tries to explain why

FDI is the preferred method of foreign investment. Therefore, companies must benefit from producing their product within their own organization but in a different location than their domestic market. Generally Dunning argued that if a company is engaged in transnational market activities on a very intense level, FDI inherent the biggest profitability to them due to the higher level of control over the processes (Dunning, 1988).

The Eclectic Paradigm alias OLI framework provides a comprehensive overview of the company`s determinants for conducting FDI. The factors included in the Paradigm differ between firms and encompass economic, political and social perspectives. The inclusion of ownership, location and internalization emphasizes the integration of various theories into the framework and hence underlines the importance of the host countries individual attributes (Dunning, 2001).

2.1.5 FDI Location Choice Motives

FDI motives have an interdisciplinary approach in the economic literature with influences from international trade theory as well from the theory of the firm (Franco et al., 2010). According to the Eclectic Paradigm alias OLI framework, which is the most cited and established framework for FDI determinants the three factors, ownership advantage, location advantage and internalization advantage are the crucial factors for a MNEs decision to engage in FDI (Dunning, 1988). The motives for the FDI location choice were later added by Dunning and integrated into his theory. There are three categories of FDI motivations. These are market-seeking motives, resource-seeking motives and efficiency-seeking motives (Dunning, 1993). However, during the late 1990s a number researchers such as Hall and Jones (1999) emphasized the importance of institutional factors, including political policies and law environment on the economic performance of a country (Hall & Jones, 1999). Hence a significant number of studies have acknowledged the influence of institutional factors on the FDI location choice (Dumludag, 2009). Macroeconomic factors are the underlying variables for a variety of research studies regarding the location choice for FDI. Hence the macro-level indicators such as interest rate, exchange rate and GDP per capita, derived from secondary data and econometric models, are used to determine a MNEs location choice based on the countries macroeconomic performance (Nielsen et al., 2017). In this research study the influence of macroeconomic factors towards the FDI location is obtained from a firm-level perspective rather than from a macroeconomic perspective.

2.2 Hypotheses Development

2.2.1 Market-Seeking Motivation

Market-seeking motives are predominantly focused on a host country's local market. In particular, the determinants therefore are market size, market growth, market potential, market penetration and comparative advantage. Companies pursuing market-seeking FDI motives are eager to benefit from these factors and the FDI location choice is made with regards to them (Dunning, 1993). The influence of these factors on FDI inflows was identified in previous studies in the literature review. Chandprapalert (2000), Kang and lee (2007) as well as Yean et al. (2018) conclusively identified the strong positive impact of market size, market growth and market potential on FDI inflows into the host country. The vast majority of empirical research has found that market-seeking motives are an important driver for FDI activities. Thus, it is hypothesized that:

Hypothesis 1a: Market-seeking motives positively influences FDI inflows into Thailand.

2.2.2 Resource-seeking Motivation

Resource-seeking motives are the company's intention of acquiring specific resources not available or only available at a considerably higher price in their home country. The cost minimization and supply aspect are the important drivers for companies pursuing this strategy. Hence the main factors regarding resource-seeking motivations are the availability of resources such as gas, oil, agricultural resources or any other related factors. Furthermore, the cost of labor, the technological capacities and input prices required for the production process are determining factors for a company's consideration of conducting FDI activities in this location (Dunning, 1993). In the product life cycle theory discussed earlier, Vernon (1966) emphasized the importance of input factor prices from a country to attract FDI inflows. Ambos (2005) identified in his research study among German MNEs, with a focus on R&D, that resource-seeking motives are more important than market-seeking motives (Ambos, 2005). The motivation of resource-seeking investors can be mostly attributed to tangible, physical assets, which are immobile and stationed in the host country (Dunning, 1993). Thus, it is hypothesized that:

Hypothesis 1b: Resource-seeking motives positively influences FDI inflows into Thailand.

2.2.3 Efficiency-seeking Motivation

Efficiency-seeking motives are investment undertakings from companies to rationalize the company structure already established in the home country. This objective can be realized by geographically concentrating the company's manufacturing facilities in order to benefit from economies of scale and economies of scope (Dunning, 1993). Furthermore, the location serves as a strategic point for the investing company with the opportunity of further expansion from the host country's location. Additionally, access to other related industries, which are beneficial to the firm are considered as efficiency-seeking motives. Skilled labor resulting in increased productivity may be included as an efficiency-seeking motive (Tahir & Larimo, 2005). Nachum and Zaheer (2005) argued that information intensive industries are driven by efficiency whereas low information incentive motives are rather market-seeking investors (Nachum & Zaheer, 2005). Thus, it is hypothesized that:

Hypothesis 1c: Efficiency-seeking motives positively influences FDI inflows into Thailand.

2.2.4 Institutional Factors

Institutional factors are important contributors for a country's ability to attract FDI based on the Institutional Theory by North (1990) and Dunning (2008). In this research study the factors for the institutional context are: tax regulations, labor regulation, property rights, investment incentives and trade agreements. Research conducted by Che et al. (2017) found that property rights and tax regulation are particularly important for MNEs from the United States wishing to engage in FDI activities in China (Che et al., 2017). This result was in line with the results of Li and Resnick (2003), where they argued that improvement of property rights and labor regulation have a positive effect on inward FDI. In a more recent study by Bailey (2018), property rights and regulations were found to be the most significant institutional factors (Bailey, 2018). Pajunen (2008) submitted that labor regulation, tax laws and an effective law enforcement mechanism are crucial factors regarding the institutional context of the host country (Pajunen, 2008). Kim, Lin and Shuen (2013) analyzed the impact of trade openness towards FDI inflow. They emphasized the positive impact of market openness due to trade agreements on cross-country capital flows. The country's economic policy, including favorable investment promotion also constitute a positive impact on inward FDI (Kim et al., 2013). Thus, it is hypothesized that:

Hypothesis 1d: Institutional factors positively influence FDI inflows into Thailand.

2.2.5 Macroeconomic Indicators

This research study examines the importance of macroeconomic indicators towards a MNEs decision of conducting FDI in a specific location. Therefore, the significance of exchange rate, interest rate, inflation rate, political stability and economic stability are investigated from a firm-level perspective. Devinney, Buckley and Louviere (2007) argued that higher inflation rate reduces the real value of generated profits in the host country's currency and hence reduces inward FDI activities (Devinney et al., 2007). This study is in line with Recai's (2001) findings that lower inflation rate increases the host country's FDI inflows (Recai, 2001). Stein and Froot (1991) identified a positive relationship between decreasing exchange rates and FDI inflows (Froot & Stein, 1991). Hong and Kim (2002) argued that low interest rates were crucial FDI determinants for Korean companies to engage in FDI inflows in Europe (Hong & Kim, 2002). On the other hand, Jeon and Rhee (2008) argued that higher interest rates positively influence FDI inflows due to higher profitability on these foreign investments (Jeon & Rhee, 2008). Based on the literature review and empirical research studies regarding macroeconomic factors it can be concluded that these factors considerably influence a country's ability to attract FDI. This study will analyze the impact of macroeconomic indicators from a firm-level perspective and examine the perceived importance of them for the location decision of conducting FDI activities. Thus, it is hypothesized that:

Hypothesis 1e: Macroeconomic factors positively influence FDI inflows into Thailand.

2.3 Formulation of the Conceptual Framework

The researcher proposes the conceptual framework for this research study, which is based on the Eclectic Paradigm by Dunning (1993) and the Institutional Model by North (1990) and Dunning (2008). The proposed conceptual framework is the basis of the hypotheses as well as the relationships of dependent variables and independent variables. The independent variables are market-seeking motivation, resource-seeking motivation, efficiency-seeking motivation, institutional factors and macroeconomic indicators. FDI location choice in Thailand constitutes the dependent variable of the framework. In figure 1 the conceptual framework is illustrated and provides an overview of the variables and hypotheses examined in this research study.

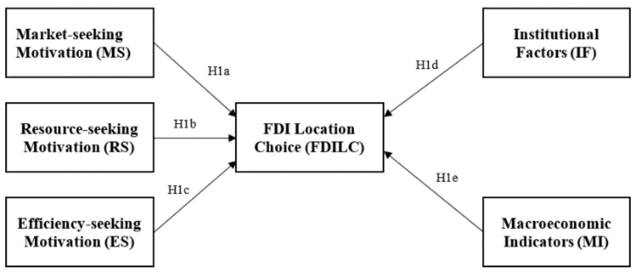

Figure 1. The Conceptual Framework
Source: Developed by the researcher

3. Research Methodology

3.1 Research Design

This is a quantitative research study to identify the motives of companies to engage in FDI activities in Thailand. A quantitative analysis is chosen since the aim is to provide an overview of the determining factors of FDI inflows into Thailand from a company's perspective, rather than exploring specific decisions of firms, which could be better examined with qualitative methods. Considering the nature of this research, the number of companies and their characteristics, the method of choice for primary data collection is the questionnaire survey, which was used to gather the required information's (Rowley, 2014). As part of the quantitative evaluation statistical methods were applied by using statistical programs. Cronbach's Alpha and Item-Objective Congruence test was applied to examine the reliability of the research study. Furthermore, multiple linear regression analysis was used to determine the influence of the independent variables towards the dependent variable, which are obtained from the conceptual framework of this research study.

The secondary data used within this research was focused on creating an adequate literature review and to acquire current academic knowledge about FDI and related theories. The sources of information have been chosen selectively and the origin of the information are reliable and academically recognized research from articles and journals.

3.2 Sampling Plan

This section discusses the sampling plan for the research study. Firstly, the target population and sample size was determined. Secondly the data collection process including the sampling technique is explained.

3.2.1 Target Population and Sample Size

The target population were companies with FDI activities in Thailand. According to the Thailand Board of Investments (2020), 7,823 companies with FDI engagement are currently operating in Thailand. This statistical record was retrieved on January 10th, 2020. In order to identify the appropriate sample size for the research study, the researcher has adopted the data sampling formula from Yamane (1967) to give a confidence level of 95%. The formula and the calculation of the sample size is illustrated down below.

$$n = \frac{N}{[1+N(e)^2]}$$

n = sample size
N = population size N = 7,823
E = sampling error e = 5%

$$n = \frac{7823}{[1+7823(0.05)^2]} = 380.542 \sim 381 \text{ respondents}$$

The parameter values used were six variables and 27 questions as scale items with a probability level of 0.05. The results from the calculation above determined that the recommended sample size to measure FDI activities in Thailand is 381 respondents. This research study collected responses from 514 respondents and after screening respondents as per its defined targeted group, the qualified respondents for the study finalized at 450.

3.2.2 Sampling technique and Data Collection Process

In this study, an online-based questionnaire was distributed among the targeted population of the survey. The researcher performed a probability sampling by using a simple sampling method. Hence giving a number to the sample unit of the target population in the spreadsheet program from each number 1 - 7,823 randomly selected, then using the random function in the spreadsheet program to operate randomly selected each unit of the FDI company for 450 companies.

The questionnaire was divided into two sections. The first part were screening questions, which were designed to ensure an adequate result based on the targeted respondents. This section included general demographic information's of the responded including age range, education and gender. Furthermore, company specific questions were applied to determine the origin of FDI, the company size as well as the amount of FDI. In the second section the motives related towards their FDI decision were determined, with each motive containing several scale items to determine the motivational drivers of their FDI location choice.

3.3 Pilot Test and Content Validity

For the content validity, the index of Item-Objective-Congruence (IOC) was used. In this process, the questionnaire was examined by three experts including, two in the academic field of social science, and one in the field of the business. All items from three experts have a score of 0.972, which means all questions in the questionnaire were appropriate to be distributed for participants in this study.

The Cronbach's Alpha reliability pilot test was conducted with data from fifty respondents prior to the official launch of the questionnaire. As shown in table 1, all six constructs had a good internal consistency, with Cronbach's coefficient alphas over 0.7 (α > 0.7) (Hair et al., 2013). This result demonstrated that the questions were likely to be easily understandable and had good scale reliability. It also indicated that the instruments were acceptable for internal reliability. Therefore, a large-scale survey through an online-based questionnaire could be undertaken.

Table 1. The pilot testing results of Cronbach's Alpha

Variables	Cronbach's Alpha	Number of Items
Institutional Factors	0.907	5
Macroeconomic Indicators	0.852	5
Resource-seeking Motives	0.848	4
Efficiency-seeking Motives	0.814	5
FDI Location Choice	0.809	3
Market-seeking Motives	0.726	5

Note: (n = 50)

4. Results and Discussion

The demographic factors of 450 respondents in table 2 were divided into 55.1% male (248 respondents) and 44.9% females (202 respondents). For the proportion of age groups, the majority was aged between 34-44 years with 43.8% (197 respondents), followed by 25-34 years old with 20.5% (92respondents) and 25 years old or less with 14.9% (67 respondents). The groups of 45-54 years and 54 years and above consisted of 10.2% (46 respondents) and 10.6% (48 respondents) respectively. The vast majority of respondents had a Bachelor Degree with 65.3% (294 respondents), followed by Postgraduates with 35.5% (146 respondents) and lastly High School Diploma with 2.2% (10 respondents).

Table 2: Demographic Summary of the Respondents

Demographic factors	Frequency	Percentage (%)
Gender		
Male	248	55.1%
Female	202	44.9%
Age Range		
25 or less	67	14.9%
25-34	92	20.5%
34-44	197	43.8%
45-54	46	10.2%
54 and above	48	10.6%
Education		
High School	10	2.2%
Bachelor's Degree	294	65.3%
Postgraduate	146	32.5%

Note: (n = 450)

The results for the company related factors in table 3 showed that 42.2% (190 respondents) operated in the service industry, closely followed by the manufacturing industry with 40.4% (182 respondents) and lastly the construction industry with 17.4% (78 respondents). The legal structure of the companies regarding type of their ownership indicated that 45.6% (205 respondents) operated their foreign business with a partnership agreement and 32.7% (147 respondents) conducted their operations in the form of a joint-venture. 21.7% (98 respondents) conducted their operations in Thailand in the form of a wholly-owned subsidiary. The descriptive information concerning the original foreign nationality showed that 41.1% (185 respondents) were headquartered in Europe, followed by China 18.4% (83 respondents) and Japan 17.8% (80 respondents) respectively. American companies were represented with 10.2% (46 respondents), Singapore with 4% (18 respondents) and 8.5% (38 respondents) were from other foreign nationalities. In regards to the organization's size the number of employees identified that the biggest group constituted companies with 50-200 employees representing 54.9% (247 respondents). The second group consisted of organization with 201-300 employees with 20.4% (92 respondents). Companies below 10 employees represented 4% (18 respondents) and the groups 11-49 employees and above 300 employees constituted 10.7% (48 respondents) and 10% (45 respondents) respectively. Lastly the amount invested in Thailand is $USD was identified. The majority of the companies conducted an investment between $3 million to $5 million with 52.2% (235 respondents), followed by investments above $5 million with 32.4% (146 respondents). Investments of $1 million to $3 million accounted for 11.8% (53 respondents) and below $1 million for 3.6% (16 respondents).

Table 3: General Aspects of the Respondents Organization Profile

Company Information	Frequency	Percentage (%)
Industry		
Service	190	42.2%
Manufacturing	182	40.4%
Construction	78	17.4%
Type of ownership		
Partnership	205	45.6%
Joint-venture	147	32.7%
Wholly-owned subsidiary	98	21.7%
Country of origin		
Europe	185	41.1%
China	83	18.4%
Japan	80	17.8%
Singapore	18	4%
America	46	10.2%
Other	38	8.5%
Number of employees		
Below 10	18	4%
11-49	48	10.7%
50-200	247	54.9%
201-300	92	20.4%
Above 300	45	10%
Investment in Thailand		
Below $1 million	16	3.6%
$1-$3 million	53	11.8%
$3-$5 million	235	52.2%
Above $5million	146	32.4%

Note: (n = 450)

Pearson's correlation coefficient, illustrated in table 4, indicates that all variables have a p-value less than 0.01 significant level. Furthermore, the results demonstrate that all variables have a positive relationship within a range from 0.249 to 0.740. The highest positive correlation is found between FDI location choice (FDILC) and Macroeconomic Indicators (MI) with a value of 0.740. The smallest correlation was found between Efficiency-Seeking motives (ES) and Institutional Factors (IF) with a value of 0.249. Most of the variables have a moderate positive correlation among each other, which suggests that a fairly independent construct of variables have been developed.

Table 4: Pearson's correlation

		MS	RS	ES	IF	MI	FDI LC
MS	Pearson Correlation	1					
	Sig. (2-tailed)						
RS	Pearson Correlation	0.399**	1				
	Sig. (2-tailed)	0.000					
ES	Pearson Correlation	0.713**	0.513**	1			
	Sig. (2-tailed)	0.000	0.000				
IF	Pearson Correlation	0.375**	0.277**	0.249**	1		
	Sig. (2-tailed)	0.000	0.000	0.000			
MI	Pearson Correlation	0.572**	0.598**	0.604**	0.382**	1	
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		
FDI LC	Pearson Correlation	0.724**	0.468**	0.688**	0.346**	0.740**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	

Note: **. Correlation is significant at the 0.01 level (2-tailed)

In this research study the author used Multiple Linear Regression (MLR) to determine the influence of independent variables on the dependent variable. The results of the MLR, are illustrated in table 5. The following hypothesis are tested:

H1: Market-seeking motives (MS) (H1a), resource-seeking motives (RS) (H1b), efficiency-seeking motives (ES) (H1c), institutional factors (IF) (H1d) and macroeconomic indicators (MI) (H1e) have a significant influence towards the FDI location choice in Thailand (FDILC).

H10: Market-seeking motives (MS) (H1a), resource-seeking motives (RS) (H1b), efficiency-seeking motives (ES) (H1c), institutional factors (IF) (H1d) and macroeconomic indicators (MI) (H1e) do not have a significant influence towards the FDI location choice in Thailand (FDILC).

The casual relationship between Market-Seeking motives (MS) (H1a), Resource-Seeking motives (RS) (H1b), Efficiency-Seeking motives (ES) (H1c), Institutional Factors (IF) (H1d) and Macroeconomic Indicators (MI) (H1e) have a significant influence towards the FDI location choice in Thailand (FDILC). Preliminary analyses were performed to ensure there was no violation of the assumptions of normality, linearity and multicollinearity. The Variance Inflation Factor (VIF) indicates that all variables are in a range between 1.246 and 2.473, which means no critical values of more than 5 have been reached, which implies that multicollinearity was not a critical issue within this study (Ringle et al., 2018). The results of the regression indicates that the model explains 69.7% of the variance and that the model is a significant predictor of FDILC, $F(5,444) = 203.99$, $p = 0.000$. R Square (R2), also called the coefficient of determination explains the proportion of variance in the dependent variable that can be explained by the independent variables. The value of R2 is 0.697, which means that the independent variables, (MS), (RS), (ES), (IF), (MI) of the model explain 69.7% of the variability of the dependent variable (FDILC). Adjusted R squared or adjusted R2 facilitates the inclusion of sample size and number of predictors to enhance the accuracy of R Square. The value of R square is 0.697, while the value of adjusted R square was 0.693. The close fit of these two values implies that the number of predictors and the sample size is adequate for this model.

H1a, H1c, and H1e are supported since the P-values are lower than 0.05 for these independent variables. This implies that Market-Seeking motives (MS), Efficiency-Seeking motives (ES) and Macroeconomic Indicators (MI) have a positive impact towards the FDILC choice in Thailand. Macroeconomic Indicators (MI) have the strongest influence among the three variables, showing a standardized coefficient of 0.449. Market-Seeking motives (MS) and Efficiency-Seeking motives (ES) have a standardized coefficient of 0.346 and 0.187, respectively, which indicates that Market-Seeking motives (MS) have a superior influence over the FDILC in Thailand than Efficiency-Seeking motives (ES). H1b and H1d are not supported since the P-values are higher than 0.05. The P-value for H1b Resource-Seeking motives (RS) equals 0.280 ($p < 0.280$) with a standardized coefficient of -0.036 and for H1d Institutional Factors (IF) the P-value is found to be 0.770 ($p < 0.770$) with a standardized coefficient of 0.009. Therefore, it can be concluded that the tested hypothesis was partially supported, with three variables (MS, ES, MI) found to have a significant impact towards the FDILC and two variables (RS, IF) do not have a significant impact towards dependent variable of FDILC in Thailand.

Table 5: Results of Multiple Linear Regression for H1 (the FDI location choice in Thailand is the dependent variable)

Variables				
Dependent	**Independent**	**Standardized Coefficient**	**P-value**	**VIF**
FDI Location Choice in Thailand	Market-seeking Motives	0.346	0.000*	2.312
	Effecifiency-seeking Motives	0.187	0.000*	2.473
	Resource-seeking Motives	-0.036	0.280	1.666
	Institutional Factors	0.009	0.770	1.246
	Macro-economic Indicators	0.449	0.000*	2.124
R Square		0.697		
Adjusted R square		0.693		

Note: *significance level at 0.05

From a theoretical perspective, the current research study contributed to academic literature by conducting a critical literature review regarding FDI location choice. From the most important approaches towards FDI activities, the Eclectic Paradigm has been found to be one of the most significant approaches in regards to the FDI location decision. Furthermore, intuitional factors were found to be particularly important for corporations in their investment decision process. Drawing from the existing literature, the conceptual framework for this research study was developed. Thereby the perspectives from the Eclectic Paradigm and the institutional theory were combined and adjusted to the research setting of Thailand. Based on the conceptual framework five predictive variables were identified which have been considered to have the most comprehensive coverage of determining FDI location choice factors. Through empirical testing of the formulated hypotheses new insights of the contributing FDI motives were found. Hence the empirical analysis confirmed that the constructed model is capable of explaining company's investment decisions in Thailand. Even though the proposed framework was tailored particularly for the Thailand specific context, it provides the opportunity for further academic research in this field.

Furthermore, from a managerial perspective, the conducted study provides a useful tool for companies and their decision makers which intend to engage in FDI activities. FDI activities are profound strategic undertakings for the company involved, with considerable risks involved. Therefore, it is particularly important that the business practitioners can make informed decisions regarding the FDI location choice. Due to the identified location choice motives in Thailand, companies are able to locate their investment projects accordingly. However, it is important to bear in mind that FDI decisions are highly sensitive and strategic undertakings and even though the conceptual framework provides a useful tool, every individual situation has to be justified since there are no general accepted location variables in the FDI literature.

Lastly, from a Thai policy maker perspective, the research study provides important knowledge since it is essential for countries to position themselves as an attractive host country towards potential foreign investors. Therefore, they need to have a clear understanding about the most influential factors to be an attractive FDI location and potentially improve certain areas in order to increase their attractiveness and overall competitiveness in the global environment. The results demonstrated that macroeconomic indicators, market-seeking motives and efficiency-seeking motives are particularly important for foreign investors to conduct FDI activities in Thailand. Even though resource-seeking motives and institutional factors did not have a significant effect for the FDI location choice in the tested model, they still have some practical relevance for corporations within their decision making process. Based on the findings of the study the Thai government should consider to implement and focus on the following governmental policies to attract and maintain FDI inflows into Thailand. Macroeconomic indicators consisting of (exchange rate, inflation rate, interest rate, economic stability) were found to have a significance for investors to engage in FDI activities in Thailand. In order to maintain its position, the government should try to uphold the macroeconomic stability with the various contributing factors. Particularly the country's exchange rate stability and interest rate level were found to be crucial determinants for foreign investors. Furthermore market-seeking motives consisting of (market size, market growth, market potential, new market opportunities, comparative advantage for companies), did have a positive influence for the FDI location choice in Thailand. Hence governmental policies should focus on economic growth to stimulate market size and market growth. Furthermore the study revealed that efficiency-seeking motive, consisting of (economies of scale, economies of scope, strategic location, related and supporting industries and labor quality), have a positive influence on the FDI location choice in Thailand. Therefore, the country's policy makers should strengthen the inter-industry connectivity for corporations and promote supportive measurements, which enable foreign investors to create partnerships and joint-ventures. Another important factor is labor quality and policy makers are supposed to implement measurements to enhance and promote qualifications of the workforce. Skilled labor is likely to attract foreign investors, especially from skill intensive industries. Foreign corporations will be eager to invest in skill intensive industries if they are assured to find sufficient skilled labor and that's why educational and training measurements are particularly important. Within this research study two exogenous variables were found to be not significant, however as mentioned earlier they still have practical relevance for business practitioners and hence measurements should be implemented to improve these areas. Institutional factors, consisting of (tax regulations, labor and property rights, infrastructure quality, trade agreements and governmental incentives), were found to not have a significant impact towards the FDI location choice in Thailand. In regards of governmental incentives, the Thailand Board of Investment actively promotes foreign investments, providing tax incentives and other benefits in order to attract inflow FDI. These measurements should be intensified to increase competitiveness, especially among other ASEAN member states. Moreover, laws and tax regulations should be more transparent and administrative processes should be simplified to resolve difficulties foreign investors might face. In addition, the government is supposed to enhance the overall infrastructure quality by initiating projects for railway, highways and waste and telecommunication projects. Lastly it has to be mentioned that corruption is still a prevailing issue. According to Transparency International Thailand ranks on the 104th place out of 180 countries on the corruption perception index in 2021 (Transparency-International, 2021). Due to the corruption issue the general trust in the market and public institutions is suffering, which also have a negative effect to attract foreign investors. Therefore, the government have to implement strict anti-corruption laws to increase the country's attractiveness for inflow FDI.

It is also worth mentioning that this research study took place during the COVID-19, which might influence the opinion and attitude towards FDI from some respondents. Furthermore, during the time of research political protests are occurring in Thailand, which might as well have influenced the respondent's decisions.

5. Conclusions

The research study identified that macroeconomic indicators, market-seeking motives and efficiency-seeking motives have a significant positive influence towards the FDI location choice of Thailand. Notably, resource-seeking motives and institutional factors did not have a significant influence. Furthermore, the standardized beta coefficient (ß) indicated which of the independent variables have the highest influence towards the FDILC in Thailand. The results revealed that Macroeconomic Indicators (MI), Market-Seeking motives (MS) and Efficiency-Seeking motives (ES) have the strongest impact towards the FDI location choice, with ß-values of 0.449, 0.346 and 0.187 respectively.

This research study considerably contributed unique findings for the determining motives towards the FDILC with a research setting in Thailand. From a practical perspective it sheds light on the driving motives for corporations to conduct FDI activities within Thailand. This provides valuable knowledge not only for company executives, but also for the country's policy makers. Regarding the theoretical perspective the study contributed to existing literature by developing a new conceptual framework by combining the Eclectic Paradigm and the institutional theory. The study closed the proposed research gap by conducting quantitative research and using primary data, with a location focus on Thailand.

6. Limitations and Future Research

First, this research study was conducted as quantitative research by using an online based questionnaire survey. This approach provides a static model with a set of FDI location choice variables, however for a more in depth analysis regarding the prioritization of the company's motives to conduct FDI a qualitative approach would be more suitable. Through interviews and case studies future research might examine the FDI location choice in Thailand in further detail.

Second, the study is limited due to the reliance on the respondent's perception since they were located in the subsidiary in Thailand and were assumed to have enough knowledge of the company's intention to invest in Thailand. Further research might address the company's headquarters in order to obtain more information about their motives to engage in FDI activities.

Third, there could be a response bias since there was only one respondent for each corporation and hence some personal bias leads to certain distortions in the conducted research study. This issue could be addressed by asking several people for each corporation.

Last, the research was conducted in a specific time period during the COVID-19 pandemic, which might have biased the results. Furthermore, the dynamic of economic development might influence the results for future studies.

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