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Influence of Institutional Quality, Labor and Infrastructure Development on Foreign Direct Investments: Evidence from Asia and the Pacific Region

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Abstract

Asia and the Pacific Region had become one of the most popular destinations or a host of foreign direct investments among multinational firms from different economies worldwide. Researches indicate that it facilitates providing sustainable economic growth. Large disparities in the levels of development of these economies in the region, existing business climate, and other institutional frameworks served as roadblocks for FDI to flourish.

The study aims to determine the impact of institutional quality, labor, and infrastructure on FDI Inflows in Asia and the Pacific Region for the period 2002-2015. A panel data regression model was utilized, using the aggregate dataset from the World Bank database to examine the nature and extent of the impact of institutional quality, labor and infrastructure development on FDI inflows relationship between the dependent and independent variables before and after the Global Financial Crisis. It was found that voice & accountability and the provision of better communication infrastructure through a country's mobile cellular subscription have a negative and significant effect on the inward direct investments in the region before the global financial crisis. On the other hand, regulatory quality and voice, and accountability proved to have a significant impact on FDI inflows after the crisis. This only shows that investors view the importance of the institutional underpinnings on how they make an investment decision. This provides pertinent policy implications among economies in the promotion of greater foreign direct investments into and within the region through the provision of a conducive environment and infrastructure development to attract long-term investments.

Keywords: *Institutional quality, labor, infrastructure, Asia and the Pacific Region*

Background of the Study

One of the highly sought topics in international finance is international capital flows and among these capital flows, foreign direct investments are the most popular. Various studies had been undertaken to account for the movement of capital from one country to another, either by multinational firms or by individual investors.

To date, quite a large number of organizations had considered undertaking a considerable amount and volume of investments in the form of direct or portfolio investments in emerging economies. They believe that competitive advantages can be derived given the financial resources that they bring to the host country or what the latter can provide to them.

Unlike portfolio investments, direct investments imply a long-term commitment by the company in a domestic firm either through a joint venture, acquisition, mergers, and other forms of business combinations with a local company. This strategy is utilized to penetrate the existing market captured by the local firm either through vertical or horizontal FDI. The role of foreign direct investments cannot be discounted and the benefits derived in spurring the economic development of a host country are insurmountable. Several empirical and theoretical types of research or studies have documented the benefits provided by foreign direct investments. As contrasted to foreign portfolio investments, they are more stable and can be used as a permanent source of financing among companies. The presence of multinational companies is seen as a way for domestic investments to flourish, enhances competitiveness among firms, and stimulate economic growth. Rule of law and regulatory efficiency were found to be significant drivers of investments into the euro area. Over the years, we had witnessed changes in investment patterns among multinational enterprises and these trends are usually on a large scale.

Compared to the studies that were conducted on the effect of macroeconomic indicators on foreign direct investments, there is quite a limited number of empirical studies that were conducted on the influence of institutional framework, especially those related to governance indicators on foreign direct investment inflows. Kaufmann, Kraay, and Mastruzzi (1997, as cited in Bannaga, Gangi, Abdrazak, & Al-Fakhry, 2013) had aggregated several governance measures to come up with a Worldwide Governance Indicators (WGIs) through the World Bank and came up with six groups of indicators: political stability, control of corruption, government effectiveness, rule of law, regulatory quality and voice & accountability.

To date, Asia is considered as one of the most popular destinations of these investments from developed countries in Europe and Northern America due to location and cheap resources (human capital, natural resources, and others) it can offer to these firms. Moreover, this can also be ascribed to the open door policy that was introduced in the region especially during the early 80s when liberalization of markets and trade were introduced (Yerrabati & Hawkes, 2016).
They also mentioned that good governance positively contributes to the inflow of direct investment in a country. For countries that have weak institutional underpinnings, they are unlikely to attract investments due to high corruption, low political stability, rule of law issues, and poor regulatory framework.

Against this backdrop, the researchers believe that conducting a study using a broader set of "governance measures" and other indicators can influence foreign direct investments.

Statement of Objectives

The study seeks to determine the impact of institutional factors, infrastructure development, and labor force (control variable) on the foreign direct investment inflows in Asia and the Pacific region.

Statement of Hypothesis

To address the objectives of the study, the following hypotheses were generated and will be tested by the researchers:

H1: Political Stability significantly affects foreign direct investment inflows in Asia and the Pacific Region before and after the financial crisis.
H2: Regulatory Quality significantly affects foreign direct investment inflows in Asia and the Pacific Region before and after the financial crisis.
H3: Voice and Accountability significantly affect foreign direct investment inflows in Asia and the Pacific Region before and after the financial crisis.
H4: Fixed Telephone Subscription significantly affects foreign direct investment inflows in Asia and the Pacific Region before and after the financial crisis.
H5: Mobile Cellular Subscription significantly affects foreign direct investment inflows in Asia and the Pacific Region before and after the financial crisis.
H6: Total Labor Force significantly affects foreign direct investment inflows in Asia and the Pacific Region before and after the financial crisis.

Review of Related Literature

This study reviews materials related to the patterns and factors affecting foreign investments in Asia and the Pacific region, nexus between foreign direct investments and institutional quality, and determine how infrastructure development affects, human capital and other factors affect investments.

A. Patterns of FDI in Asia and the Pacific region

The majority of the researches undertaken in Asia were made either in South Asia, ASEAN, or East Asian regions. None were conducted in the Asia Pacific Region. Moreover, most of the studies conducted only accounted for the patterns of foreign direct investments or the impact of macro-economic factors on FDI Thorbecke & Salike (2012) highlighted the importance of location and factor endowment in East Asia as a major consideration among multinational companies in making direct investments. It also highlighted China as becoming the major prime mover of trade and investment in the region. The cost savings with production and labor are quite obvious and worth mentioning.

Meidayati (2017) investigated the influence of labor, GDP, openness to trade, and labor force on inward direct investments in the ASEAN for the period 2005-2015 and found all factors having direct positive effects. Considering that the region is a good host of direct investment from different developed countries, better infrastructure development, cheap and good labor force, and a country's willingness to trade with several countries contributed to the very good prospect of the region for these investments.

The attractiveness of Asia as a good inward direct investment was documented by several researchers (Hattari & Rajan, 2008; Sohail & Anwar, 2015; Yerrabati & Hawkes, 2016; Layla et al., 2020).

Sohail & Anwar (2015) mentioned that among the countries in Asia, Vietnam, Bangladesh, India, and China were among the highly sought investment hosts. Soeng, Cuyvers, and Sok (2017)

showed their results for Cambodia and found that the Regulatory Quality, voice and accountability, and rule of law of the country, provided positive significant effects on the inward direct investments.

This was also triggered by good trade relations with other countries and its existing bilateral arrangements. On the other hand, control of corruption, the effectiveness of the government, and political stability were found to have no effects on FDI inflows. The same findings were evident in the study conducted by Masron & Naseem (2017) for the six (6) institutional quality indicators, except for regulatory quality which was found to have an insignificant impact on ASEAN-8 countries' FDI inflows.

On the other hand, political stability was found to be positively and significantly affecting FDI inflows.

Along with these, wage ranges and bilateral trade agreements have a positive and significant impact on investments.

Singapore and Malaysia consistently received a high governance index compared to the other countries. It was also noted that the region is still preferred compared to China by multinational companies for investments related to technology companies.

Significantly, when institutional quality's impact was measured against FDI as a percentage of ASEAN's GDP and China's GDP, control of corruption in ASEAN was viewed positively by direct investors compared to China which means that cost of doing business is lesser in the region. The authors also measured the influence of the average institutional quality ratio on FDI inflows and found positive effects. Yerrabati & Hawkes' (2016) investigation of the relationship between institutional quality indicators on investments in South Asia, East Asia, and the Pacific Region showed a positive significant effect on political stability, government effectiveness, and regulatory quality. Surprisingly, the Rule of Law was found to have a negative and significant impact on foreign investments as contrasted to the findings in ASEAN or some member countries where the impartial legal system contributed to the increase in inflows of direct investment.

Another important finding was the negative effect of voice and accountability on investments by MNEs. Overall, the 6 governance indicators provided a positive effect on foreign investments.

The findings of Behera et al. (2020) found a limited or low linkage between institutional quality in four emerging economies in South Asia (Sri Lanka, Bangladesh, Pakistan, and India). Along with other independent variables, the financial development, and global indices, it shows that the short-run relationship between IQ and investments is insignificant, yet, they are statistically significant for all the three major indices in the long-run. Despite the poor institutional quality in Bangladesh, a positive and significant impact on FDI inflows was found and a negative and significant impact for the other three countries.

B. Studies on the Quality of Infrastructure and Human Capital

Zhang (2001) utilized GDP, level of infrastructure development, human capital, and financial openness as determinants of foreign direct investments in Latin America and East Asia. He argued that direct investment inflows are likely to flourish if the host country will provide a favorable business environment especially when it comes to considerations related to the use of human capital (either improved education, language, productivity, etc.).

In another study, availability of labor and infrastructure quality, measured in terms of mobile telephone subscription and number of internet users, were found to have positive and significant effects on foreign direct investments among 25 developing countries from 1990 to 2007 (Shahmoradi, 2011). This was also noted in the study conducted by Ranjan & Agrawal (2011) who also utilized infrastructure, labor, and other macroeconomic variables as indicators attracting FDI Inflows among BRIC countries for the period 1975-2009.

Among the three-panel data estimations, the random-effects model was used after conducting the diagnostic tests. Labor costs, infrastructure facilities, market size, trade openness, and economic stability were found to be significantly attracting investors. These indicators are inherent in the host countries investigated and provided challenges for these emerging countries, especially in maintaining their performance and attracting inflows of FDI.

Dellis., Sondermann. & Vansteenkiste (2017) emphasized the importance of the labor and product market among investors in their decision to invest in the Euro Area, indicating that it is one of the most important considerations when making investment decisions. While the quality of labor is crucial, the savings to the multinational company on labor cost matters. Hence, it was argued that labor cost cannot be considered based on monetary consideration as payment for labor productivity. Rather, the regulatory burdens (training, incentives, and other non-monetary remunerations), are the factors that sometimes discourage investors to establish a business in a host country (Glam & Böke, 2017) (Saglam and Boke, 2017).

C. Influence of Institutional Quality on Foreign Direct Investments

Wernick, Haar, & Sharma (2014) investigated the influence of institutional quality on FDI inflows in Africa using composite indices derived from the World Governance Index. He considered the presence or absence of natural resources as having an impact on the effect of institutional quality on FDIs. They argued and found that the absence of natural resources contributes to the positive impact of the institutional quality on FDI. Countries in Africa that have rich natural resources such as oil are likely to attract foreign investments but are less likely to use institutional quality for the MNC's decision to make investments. Ong, Onono, and Ocharo (2016) also investigated the effects of the interaction of institutional quality and FDI on the economic development in Kenya using OLS. They found that the growth-enhancing effect of FDI is quite high when the quality of the institutions in Kenya is high. This is understandable considering that a well-functioning institutional framework coupled with improved domestic investments will enhance investment inflows in a country.

Bannaga et al. (2013) investigated the influence of the World Governance indicators and other control variables on FDI in Arab Countries.

Their study found that most of the countries in the Arab region have poor or weak governance with many countries having low or negative governance indices. Despite this, foreign direct investments in the region were high. Based on their findings, four (4) out of six (6) indicators (regulatory quality, government effectiveness, political stability and voice, and accountability) showed a positive and significant effect on FDI inflows. In an earlier study, (Gangi & Abdulrazak (2012) also examined the impact of governance indicators on FDI in African countries from 1996-2010 utilized fixed effects and random effect estimations among African countries from 1996 to 2010 and found voice and accountability, political stability, and rule of law to be the only significant indicators of FDI in Africa while government effectiveness, control of corruption and regulatory quality were found to be insignificant. Based on the several findings provided, the role of institutional quality on foreign direct investments cannot be discounted.

As far as potential investors are concerned, good governance attracts MNEs to invest in countries that offer these benefits. The authors believe that many countries in Africa countries should focus on the promotion of a conducive investment climate to attract direct investments by improving their overall governance structure.

Karau & Mburu (2016) also found a significant effect of control of corruption, rule of law, political stability, and infrastructure on foreign direct investments in East Africa. It was only political stability that was found to have a negative effect.

t is quite surprising that it attracts foreign opportunities. One thing that can be noted in this aspect is the fact that countries that experienced political instability are likely to attract investments.

This research contributes to the existing literature in understanding the determinants of foreign direct investments using cross-country data culled from the World Bank databases, namely, World Development Indicators (WDI) and World Governance Indicators (WGI)), from 2002 to 2015. The data on foreign direct investment net Inflows, infrastructure development, and the total labor force was culled from the World Development Indicators while those related to institutional framework came from WGI. As can be gleaned above, the researcher will examine the effects of institutional quality, presence of infrastructure development, and labor force in attracting foreign direct investment inflows in Asia and the Pacific region.

Methodology

For this particular study, Foreign Direct investment net inflows as a percentage of the Gross Domestic Product of the host country are utilized as the dependent variable while six indicators were finally chosen to be included in the regression model. The researcher utilized the World Governance Indicators as a proxy for institutional quality. According to the World Bank (n.d.), these indicators measure the quality of governance based on the perception of various stakeholders, namely, government, businesses, citizens, and other people who are believed to be experts in providing their opinions about the matter.

Initially, six (6) Worldwide Governance Indicators were utilized in the study. However, when a diagnostic test was undertaken to measure potential multicollinearity, three indicators were omitted, namely, rule of law, government effectiveness, and control of corruption due to their high variance inflation factors. Only political stability, regulatory quality, and voice & accountability were used.

Moreover, the impact of the quality of infrastructure in the host country and labor were also considered in the study as this may attract MNCs to make large investments in a country. After collecting the data, it was subjected to a regression test to determine behavior or trends in foreign direct investments and identify which among the indicators could explain these patterns.

The panel data estimation had been regarded as a robust regression model to measure how the different parameters behave over time and across cross-sectional data. As mentioned by ((Ranjan & Agrawal, 2011), the statistical model captures the appropriate information not being captured by the sole use of either time-series or cross-sectional data. For this study, two regression models were utilized, namely, random effects and fixed effects. This study contains a dataset of 14 countries for both pre-crisis and post-crisis. Initially, all six world governance indicators, namely, political stability, regulatory quality, voice and accountability, government effectiveness (Geff), rule of law (RLaw), and control of corruption (CCor) were included in the regression model. However, after performing the test for multicollinearity, the variables, CCor, RLaw, and GEff were dropped from the study. Below are the equation used in the study.

Random Effects Estimation:

$$FDI_{it} = \beta_0 + \beta_1 PSta_{it} + \beta_2 RQua_{it} + \beta_3 VAcc_{it} + \beta_4 Mobs_{it} + \beta_5 FTS_{It} + \beta_6 LABln_{it} + \varepsilon_{it} \quad \text{(Eq. 1)}$$

Fixed Effects Estimation:

$$FDI_{it} = \beta_0 + \beta_1 PSta_{it} + \beta_2 RQua_{it} + \beta_3 VAcc_{it} + \beta_4 Mobs_{it} + \beta_5 FTS_{It} + \beta_6 LABln_{it} + u_{it} + \varepsilon_{it} \quad \text{(Eq. 2)}$$

where:

FDIi = foreign direct investment net inflows/GDP
PStab = Political Stability & Absence of Violence/Terrorism
RQUA = Regulatory Quality
VAcc = voice & accountability
LLab = log of total labor force
FTel = fixed telephone subscription per 100 people
Mobs = mobile cellular subscription per 100 persons
βk = coefficient for the independent variables (IVs),
i = cross-sectional data
t = time
u = represents the individual country-pair specific effect
ε_i = error term

Description of Variables

Voice and Accountability. It reflects the perceptions on how a country's citizens can participate in selecting their government, including the use of freedom of expression, association, and media.

Political Stability and Absence of Violence/Terrorism. This variable measures the perceptions of the likelihood of any political destabilization using violence and some forms of terrorism to overthrow the government and any political leaders.

Regulatory Quality. It reflects the ability of the government to formulate and implement sound policies and regulations that enhance private sector development.

Fixed Telephone Lines. As defined by the World Bank (n.d.), the term refers to telephone or landline subscriptions for the active number of analog fixed telephone lines, voice-over-IP (VoIP) subscriptions, fixed wireless local loop (WLL) subscriptions, ISDN voice-channel equivalents, and fixed public payphones.

Mobile Cellular Subscription. It refers to subscriptions by people or firms to a public mobile telephone service that provides access to the PSTN using cellular technology. This comprises both the number of postpaid subscriptions and active prepaid accounts.

For the subscription, it includes all mobile subscriptions that offer voice communication services with the exclusion of subscriptions via data cards or USB modems, to public mobile data services and other services.

Labor. It refers to the availability of human capital. It is measured in terms of the logarithm of the total labor force. As defined by the World Bank, it represents those whose age range from 15 years old and older who supply human capital either to produce goods or deliver for a particular period. This comprises those who are currently employed and are unemployed but seeking employment as well as first-time job-seekers.

Results and Discussions

The summary statistics of the independent and dependent variables utilized in the empirical analysis are shown below. Ninety-eight (98) observations were derived from the fourteen (14) countries for the pre-crisis period (2002-2008) and the post-crisis period (2009-2015), respectively. As can be gleaned in Table 1, foreign direct investment varies slightly for the pre-crisis and post-crisis, where an increase in FDI inflows after the crisis was evident.

For the pre-crisis period, it has a mean value of 4.8577 and 6.4609 for the post-crisis, with a higher standard deviation of 10.38199 after the crisis. It must be noted that the Asia and the Pacific region continues to be a key recipient of foreign direct investment, especially with the active involvement by China in attracting investments worldwide. Dellis & Sondermann (2017) found positive effects of the institutional quality on the foreign direct investments in the Euro Area. While the data for the institutional quality ranges from -2.5 (lowest index) to a high of 2.5 (highest index), findings reveal that political stability recorded the highest variations in the ratings generated for each country, especially before the crisis. However, the variations are not high for the three institutional quality variables, namely, political stability, regulatory quality, and voice & accountability.

Table 1
Descriptive Statistics

Variables	Mean	SDEV	MIN	MAX
PRE-CRISIS PERIOD				
Dependent Variable				
FDI	4.8577	6.6453	-3.81	30.57
Independent Variables				
PSta	0.1969	0.97816	-2.1	1.5
RQua	5.537	0.9258	-0.8	2
VAcc	0.0306	0.946	-1.7	1.7
LLab	17.0561	1.7514	14.52	20.47
FTel	25.7919	20.2506	0	60.7
Mobs	59.4317	38.85107	1.21	166.19
POST-CRISIS PERIOD				
Dependent Variable				
FDI	6.4609	10.38199	-0.08	58.51
Independent Variables				
PSta	0.2235	0.8786	-1.7	1.5
RQua	0.6092	0.9677	-0.7	2.3
VAcc	0.0561	0.9504	-1.7	1.6
LLab	17.1682	1.7147	14.65	20.51
FTel	26.6245	21.0459	0.38	61.87
Mobs	118.5054	37.8673	44.12	235.61

The regulatory quality indicator in Asia and the Pacific region generated the highest index for both the pre-crisis and post-crisis periods. Fixed telephone and mobile cellular subscriptions generated the highest standard deviations; with minimal differences between the pre-crisis and the post-crisis periods. Overall, the data only suggests that the inclusion of both the independent and dependent variables used in the panel data regression model does not pose any potential problem of multicollinearity.

Table 2 on the succeeding page provides the results of the Hausman specification tests conducted for the pre-crisis and post-crisis periods using Stata. The p-values generated are greater than 0.05, 0.1517, and 0.986 for the pre-and post-crisis, respectively. Thus, the null hypothesis is

accepted; and the random-effects model was deemed to be the best model to be used. This means that between the two specification models, RE is the appropriate model and will be used for this research. It must be noted that the results found in Table 2 are deemed to be robust especially when examining the different factors that influence Foreign Direct Investments using two-panel data estimations for annual country-aggregate frequencies.

Table 2
Regression Results on the Impact of Institutional Quality, Infrastructure Development and Labor on FDI Inflows

Hypothesis	Indicators	PRE-CRISIS *(A)*	PRE-CRISIS *(B)*	Hypothesis
	Dependent Variable: FDI	**RE**	**RE**	
	Constant	12.7249	-0.1025	
H1	PSta	0.4796	-2.1541	Not Supported *(A&B)*
		-1.0971	-1.5567	
H2	RQua	0.6794	10.0999***	Not Supported (*A*); Supported (*B*)
		-2.5196	-2.7198	
H3	VAcc	-2.7*	-5.9995**	Supported (*A&B*)
		-1.4923	-2.1417	
H4	LLab	-0.7838	-0.1126	Not Supported *(A&B)*
		-8636	-1.2551	
H5	FTel	0.0148	-0.0253	Not Supported *(A&B)*
		-0.086	-0.0976	
H6	Mobs	0.0798***	0.0324	Supported (*A*); Not Supported (*B*)
		-0.0223	-0.0215	
No. of Countries		14	14	
Observations		98	98	
Hausman Test (Prob > Chi2)		**0.1517**	**0.986**	

Notes: ***, **, * denote statistical significance at the 0.01, 0.05, 0.10 level correspondingly.

As shown above, H1 is not supported, which means that political stability does not have a significant effect on FDI inflows in the region for both pre-crisis and post-crisis periods. This confirms the finding of Soeng et al. (2017) and Yerrabati & Hawkes (2016) that it is not significantly affecting FDI inflows. Masron & Naseem (2017) found a positive and significant effect, similar to the findings of Bannaga et al. (2013) and Gangi & Abdulrazak (2012). Karau &

Mburu (2016) however found a significant yet negative effect on FDIs. Before the crisis, the political stability had a positive effect on foreign direct investment while a negative effect was evident after the crisis. This only proves that political instability is seen among countries in the region, which was affected by the global financial crisis. Foreign investors consider the country's political risk as a major stumbling block in their investments as any instability that they find in the host country will affect the business environment where it will operate.

When regulatory quality's impact on inward direct investments was investigated, mixed results were evident. While both provided positive effects on FDI, consistent with the findings of Soeng, Cuyvers, and Sok (2017), Yerrabati & Hawkes' (2016) and Bannaga et al. (2013) (positive significance), Masron & Naseem (2017), and Gangi & Abdulrazak (2012) provided insignificant impact, it shows that H2 is only supported during the post-crisis period. It is quite surprising that regulatory quality has a significant positive effect on FDI inflows as contrasted to the pre-crisis period. This is quite crucial as having a sound regulatory framework is viewed as an important determinant in enhancing foreign direct investment inflows after the global financial crisis. This only shows that countries in the region had significantly instituted stringent yet investor-friendly regulations to protect the interests of the investors, in line with international standards. Particularly when we consider substantial investments by companies in the host country, all these regulations have to be in place.

To be an attractive investment venue, each country, whether developing or developed, should have strong regulation for the investments to flourish in the region and this calls for the commitment by the national government in imposing and providing regulatory quality (RQ), which is shown in its ability to formulate, institute and implement a sound regulatory framework that is conducive to the business. The fact that the results for both crises are negative, proves that most of these infrastructure regulations in the region pose negative implications that can undermine private-sector welfare, which includes among others, the way quantitative and pricing policies are enforced and the interventions are undertaken by the government to control the prices of goods and services are not favorable to the business community and multinational companies that intend to set-up business in the region.

H3 is supported for both pre-crisis and post-crisis periods and proves that the voice and accountability (VAcc) variable has a negative and significant impact on the inward foreign direct investments in the region. Soeng, Cuyvers, and Sok (2017) findings as well as those of Bannaga et al. (2013) and Gangi & Abdulrazak (2012) showed voice and accountability provided positive significant effects on the inward direct investments. On the other hand, Yerrabati & Hawkes' (2016)'s finding was the negative effect of voice and accountability on investments by MNEs. The presence of a democratic process in the countries does not help in promoting investments, especially if there is lesser monitoring of the activities undertaken by the government. Particularly for host countries, the risk is likely to occur especially when policies are reversed or not strictly enforced by the government. This sometimes causes people to lobby the government to assert their rights.

The variable LLab in this study refers to people or human capital, which was transformed into its natural logarithm. The relationship between the labor force and FDI inflow is assumed to

be positive. As can be gleaned in Table 2, H4, which measures the impact of the labor force on foreign direct investments, is not supported in both periods (pre-crisis and post-crisis).

This means that it has no significant impact. This is quite surprising considering that the availability of the labor force is not big considerations in a foreign company's decision-making and this was also highlighted by the negative beta coefficient generated. This is inconsistent with the findings of Meidayati (2017), Shahmoradi (2011), Ranjan & Agrawal (2011), and Dellis et al. (2017) where they emphasized the importance of labor (cost, availability, and quality) as crucial in their investment decisions.

Infrastructure development is very crucial in attracting direct investments in the country, which includes telecommunications, roadworks, power stations, waste management, and other developments. The development of telecommunication infrastructure has always been varied among countries in the region, especially in the field of communications, such as mobile and phone lines and internet connectivity. Given the missing data for the latter, the effects of mobile and fixed telephone lines were answered in H5 and H6, respectively. Table 2 reveals that except for the pre-crisis effect of Mobs where H6 was supported, both hypotheses were unsupported. While the presence of telecommunication infrastructure does not have a significant effect on the decision by these transnational companies to operate in a given country in Asia Pacific Region, the effects for both infrastructures are positive. This only proves that the availability of infrastructure facilities in a host country is being considered in deciding to invest in a country, as this facilitates speedy communication and processing of the transaction, and heightens and speeds up production activities by making decisions even without any physical presence among the decision-makers.

The presence of modern technology has highlighted this importance and became more prevalent among companies and their customers. Especially nowadays, the density of telecommunication can be measured with the use of cellular subscriptions as contrasted to the fixed telephone subscription.

The former decreases coordination costs between the parent company and its subsidiaries, partners, or affiliates. For the post-crisis, the effect of fixed telephone subscriptions is negative. This can be ascribed from the different levels of development of each country and the presence of fixed telephone lines are not crucial decision-making factors after the global crisis. Today, many companies or even individuals, consider other forms of communication through the use of the internet and social media.

Conclusions

Among cross-border investments, foreign direct investment inflows are the most appropriate form of funds inflows to both developing and developed economies in the Asia Pacific region. Among the factors influencing FDI inflows, voice and accountability proved to significantly affect the patterns of capital inflows in the region for both pre-crisis and post-crisis periods. The research aimed to examine the role played by institutional quality measured in terms of governance indicators and the presence of infrastructure development in enhancing or attracting foreign direct investments in a host country.

The panel data regression model also highlighted the importance of having conducive institutional underpinnings and infrastructure development to attract long-term investments in a host country, especially in Asia and the Pacific region, which is regarded as a very good investment for excess and long-term financial and operational commitments. It is believed that this environment significantly affects not only foreign investors but also domestic investors especially in spurring economic development, resource transfer, employment, etc. Moreover, it is crucial to have a regulatory framework in place to enable foreign investors to commit large funds in a host country. While the combination of the independent variables did not provide significant effects on FDI inflows, it is further suggested that a combination of macro-economic and institutional quality indicators be used in explaining the patterns of FDI inflows in a country. Moreover, further studies must be undertaken to account for specific indicators used in computing for any of the six (6) governance indicators used in this study. It should also expand the period to account for the longitudinal effect of the factors on the FDI. It should also consider under institutional framework Chinn & Ito's Financial Openness index which measures the degree of capital account openness of a country which is listed in the annual report on Exchange Arrangements and Exchange Restrictions (AREAER).

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