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DETERMINANTS OF FOREIGN DIRECT INVESTMENTS IN SRILANKA

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ABSTRACT

Foreign Direct Investments is one of key source that contribute to economic growth by the enlargement of the capacity of investments or by increasing the proficiency. Due to that motive all countries are trying to attract the FDIs for more benefits. Through this study, researcher aims to fill the research gap within previous studies regarding foreign direct investments and determinants, since there were contradictory ideas within literature. Market size, interest rate, exchange rate, trade openness, stock market liquidity and economic growth as independent variables and Foreign Direct Investments as dependent variable. Apply 132 months from 2006 to 2016 for gather secondary data via Central Bank reports, Colombo stock exchange, and library. Descriptive analysis, correlation coefficient, and multiple regression analysis were used to hunt out findings in research study. The research findings reveal that, Foreign Direct Investments has significant impact with variables. Moreover Foreign direct investments has positive significant with Economic Growth, Market size and trade openness. But exchange rate, stock market liquidity and interest rate have insignificant influence with negative values. Further future researches can investigate Foreign Direct investments using infrastructure facilities, political situation, and select more macro-economic variables such as, unemployment rates, money supply.

Key words: *Foreign Direct Investments, Macro economic variables, stock market liquidity*