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THE INFLUENCE OF FOREIGN DIRECT INVESTMENT ON ECONOMIC DEVELOPMENT: THE CASE OF THE REPUBLIC OF MOLDOVA

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Abstract. This study examines the relationship between foreign direct investment and the economic development of the Republic of Moldova by integrating a theoretical perspective with empirical analysis. Based on official statistical data and public institutional sources, it evaluates the dynamics of the main macroeconomic and investment indicators, the economic performance of enterprises with foreign participation, and their association with the evolution of GDP per capita. For the period 2015–2024, a multifactor econometric model is estimated in which the growth rate of GDP per capita is analysed in relation to a set of indicators reflecting the dynamics of foreign direct investment and several related economic variables relevant to assessing the relationship between foreign capital and economic growth. The results highlight the existence of positive relationships among the variables examined. Overall, the study suggests that foreign direct investment may constitute a relevant factor in supporting economic growth, provided that its effects are leveraged within a favourable investment and institutional environment.

Keywords: *foreign direct investment, economic growth, GDP per capita, labour productivity, foreign capital, investment in fixed assets, Republic of Moldova.*

Rezumat. Acest studiu examinează relația dintre investițiile străine directe și dezvoltarea economică a Republicii Moldova prin integrarea unei perspective teoretice cu analiza empirică. Pe baza datelor statistice oficiale și a surselor instituționale publice sunt evaluate dinamica principalilor indicatori macroeconomici și investiționali, performanța economică a întreprinderilor cu participare străină și asocierea acestora cu evoluția PIB-ului pe cap de locuitor. Pentru perioada 2015–2024, este estimat un model econometric multifactorial. Rata de creștere a PIB-ului pe cap de locuitor este analizată în raport cu un set de indicatori, care reflectă dinamica investițiilor străine directe și variabilele economice conexe, relevante pentru evaluarea relației dintre capitalul străin și creșterea economică. Rezultatele evidențiază existența unor relații pozitive între variabilele examinate. Per total, studiul sugerează că investițiile străine directe pot constitui un factor relevant în susținerea creșterii

economice. Condiția principală este ca efectele acestora să fie valorificate într-un mediu investițional și instituțional favorabil.

Cuvinte cheie: *investiții străine directe; creștere economică; PIB pe cap de locuitor; productivitatea muncii; capital străin; investiții în active fixe; Republica Moldova.*

1. Introduction

Foreign direct investment (FDI) represents one of the most important and complex forms of international economic interconnection and today constitutes far more than mere capital flows crossing national borders. It is a fundamental mechanism through which capital, technology, innovation, managerial know-how, and modern organisational practices are transferred from one economy to another, directly influencing the structure and performance of both productive and service sectors and thereby contributing to the development of the national economy as a whole. As globalisation has intensified, FDI has become not only an instrument used by multinational firms to expand their operations, but also a driver of economic transformation, capable of stimulating industrial modernisation, structural diversification, and countries' integration into global value chains.

In the last three decades, FDI has acquired strategic importance in both developed and emerging economies, albeit for different reasons. In advanced economies, FDI is used to strengthen technological advantages, optimise costs, and maintain global competitiveness in a context marked by intense competition. It helps preserve dominant positions in key technological and industrial sectors through international acquisitions, partnerships, and the expansion of value chains. It also compensates for demographic stagnation and population ageing, which constrain the potential for domestic economic growth. Thus, the expansion of capital abroad remains a means of sustaining profitability. At the same time, in emerging or transition economies, such as the Republic of Moldova, its role is essential: it compensates for the insufficiency of domestic capital, facilitates technological modernisation, stimulates job creation, contributes to professional training and productivity growth, and thereby generates long-term structural transformations. FDI supports the integration of emerging economies into global value chains, enabling them to become active participants in international trade and to attract additional investment. It also enhances international credibility, as the presence of major investors signals stability and reduces risk perception. FDI constitutes a bridge between advanced and developing economies, fostering economic convergence and accelerating reform processes, while also serving as an indispensable pillar of economic growth and sustainable development.

At the same time, the strategic role of FDI is explained by the fact that it no longer consists solely of financial flows, but rather of complex vehicles of technological transfer, economic integration, geopolitical repositioning, and structural modernisation, directly influencing the long-term performance of both developed and emerging economies [1]. Thus, at present, the attraction and effective management of FDI has become a central objective of the economic policies of most states, being perceived as an essential lever for strengthening economic resilience and adapting to the rapid transformations of the global economy.

2. Materials and Methods

This research is based on a quantitative approach, supported by a synthesis of the relevant literature and by the use of official statistical data and public institutional sources, with a view to examining the relationship between foreign direct investment and the

economic development of the Republic of Moldova. The descriptive component relies primarily on data for the period 2019–2024, which are relevant for capturing the recent dynamics of the main macroeconomic and investment indicators, whereas the econometric component extends the period of analysis to 2015–2024 in order to enable the assessment of statistical relationships within a broader temporal framework.

From a methodological perspective, the study combines dynamic and structural analysis, statistical comparison, and the generalisation of indicators with the estimation of a multifactor linear regression model. The dependent variable is the growth rate of GDP per capita, while the explanatory variables refer to the dynamics of net direct investment, investment in fixed assets under foreign ownership, foreign funds, labour productivity in FDI enterprises, and the time trend; data processing was carried out using QM for Windows and RStudio.

3. Results and Discussion

3.1 Literature review on foreign direct investment flows and their role in economic development

Academic interest in foreign direct investment is not a recent phenomenon. As early as the 1950s and 1960s, economists sought to explain the nature, logic, and implications of these flows for economic development. The first major contributions, such as the works of John H. Dunning, paved the way for robust theories regarding the formation, location, and internalisation of firms' international activities (the OLI Paradigm). According to this theory, foreign investment arises when three conditions are met:

- Ownership advantages – technology, know-how, capital;
- Location advantages – lower costs, natural resources, market opportunities;
- Internalization advantages – the efficiency of organising activities within the firm.

The OLI Paradigm is now regarded as one of the most influential theories of foreign direct investment [2, 3].

Over the following decades, alongside the surge in cross-border investment during the 1980s and 1990s, the literature became more diversified and refined, incorporating perspectives from international trade theory, the theory of the firm, institutional economics, and studies on globalisation and development. Today, FDI is analysed through a multidimensional lens encompassing economic, political, technological, and even geopolitical factors.

The historical transformations of FDI, evident in the shift from investments primarily oriented towards natural resources or local markets to investments integrated into global production chains, provide a solid basis for a comprehensive analysis of their evolution and of the ways in which they influence national economies. These dynamics become all the more relevant in the case of states that have undergone the transition from a centrally planned economy to a market economy. Countries such as the Republic of Moldova, which after 1990 faced major challenges related to privatisation, restructuring, technological modernisation, institution-building, and European integration, provide compelling examples of how FDI can contribute to the profound transformation of an economy.

In this context, the study of FDI can no longer be reduced to a simple assessment of capital flows or to the analysis of statistical indicators alone. It requires a theoretical and historical approach based on an understanding of the evolutionary stages of FDI, the theories that explain them, and the way in which they have influenced the economic trajectories of

different states. Such an analysis makes it possible to understand not only the role of FDI in contemporary economic development, but also the complex relationship between globalisation, structural transformation, national competitiveness, and sustainable development.

In the 1970s, interest in FDI increased significantly, especially in the United States, where the intensification of foreign investment generated numerous academic studies. The analysis conducted by Arpan, Flowers, and Ricks (1970s) shows that this period represented a peak in FDI research, in response, on the one hand, to the rapid growth of investment in the United States and, on the other hand, to global economic tensions. Foreign direct investment in the United States became more diversified, expanding beyond traditional industries into new fields. Changes in the economy, oil prices, and international policies influenced capital flows. Thus, both FDI and foreign investors had a broader impact on the American economy than had previously been assumed [4].

As Graham and Krugman (1993) show, the 1980s witnessed an unprecedented acceleration of FDI, driven by financial liberalisation, the globalisation of production, and the growth of multinational corporations. Between 1985 and 1989, global flows grew exponentially, far outpacing the growth of trade and global GDP [5].

Furthermore, the 1990s brought significant changes in states' attitudes towards foreign direct investment. According to the 2005 UNCTAD (United Nations Conference on Trade and Development) report, governments began to liberalise their legislation in order to encourage the attraction of FDI after the periods of scepticism that had characterised the 1970s and 1980s. The report notes that the state-directed and inward-looking economic strategies dominant during the 1970s and 1980s were abandoned, giving way to market acceptance and integration into the world economy; between 1992 and 2001, 95% of legislative changes concerning FDI were in the direction of liberalisation. Thus, economic sectors were gradually opened, restrictions were removed, and incentives for attracting FDI were introduced [6].

The period following the 2008 financial crisis brought about a major transformation in studies on FDI. The literature highlights profound changes in the mechanisms, motivations, theoretical models, and implications of FDI for both developed and emerging economies. After the 2008 financial crisis, FDI flows became volatile owing to financial turbulence and global uncertainty. According to Mohapatra and Gopalaswamy (2016), the 2008 crisis significantly reduced FDI inflows into emerging economies. At the same time, FDI continued to stimulate domestic investment through crowding-in effects, thereby contributing to economic development. The long-term relationship between incoming and outgoing foreign direct investment and domestic investment was confirmed through cointegration analysis using a Vector Error Correction Model. [7]

Up to the year 2000, the specialised literature described predominantly the effects of FDI at the macroeconomic level across different economies. Beginning in the 2000s, emerging economies - especially BRICS (Brazil, Russia, India, China, and South Africa), ASEAN (Southeast Asia), Sub-Saharan Africa, Latin America, and Eastern Europe—attracted increasing volumes of FDI due to economic liberalisation, market expansion, and growing institutional capacity. This conclusion is detailed in a comprehensive review of FDI in emerging markets (2000-2024) conducted by Dr J. Rama Devi and Mrs J. Ganga Devi [8].

During this period, the BRICS countries attracted increasingly large volumes of investment owing to the size of their economies, structural reforms, investment liberalisation,

and competitive labour forces. From 2000 onwards, the FDI inflows to BRICS have increased remarkably from USD 77,127 million to USD 330,644 million in 2024 [25].

By contrast, the ASEAN countries proved attractive to FDI due to regional integration, macroeconomic stability, expanding infrastructure, and investment in digitalisation. ASEAN countries played a particularly important role in absorbing global FDI, which contributed to structural modernisation through productivity growth, technology transfer, and capital and trade effects [8].

The outbreak of the Russia–Ukraine war in 2022 introduced a new wave of geopolitical uncertainty, with far-reaching implications for global energy markets. The imposition of sanctions against Russia, coupled with disruptions in European energy supply chains, compelled multinational corporations to reassess their regional investment portfolios. Simultaneously, the intensification of U.S.–China tensions, particularly in the domains of trade, technology, and national security, manifested through tariffs, export restrictions, and regulatory controls, has reshaped the global investment landscape. Consequently, American and other Western firms have reevaluated their operations in China, increasingly considering alternative locations in Southeast Asia, South Asia, and Latin America.

Foreign direct investment has also contributed to the financial development of emerging economies. The study by Deqing Wang, Qian Huang, Tianzhi Ye, and Sihua Tian indicates that FDI plays an ambivalent role but, overall, stimulates financial development, particularly in the eastern regions of China [9].

In the context of the 2020s, it is first necessary to mention the influence of the COVID-19 pandemic, which generated one of the most severe disruptions to international investment flows in recent decades. According to UNCTAD, 2020 witnessed a global collapse in FDI of 42%, with investment falling from USD 1.5 trillion in 2019 to approximately USD 859 billion, the lowest level since the early 1990s. This decline even exceeded the impact of the 2008–2009 financial crisis. UNCTAD emphasises that health-related uncertainty and restrictive measures led investors to adopt a markedly cautious stance, postponing or cancelling major international projects. The decline was most pronounced in developed economies, where FDI fell by 69%, particularly affecting North America and Europe amid a sharp reduction in cross-border mergers and acquisitions and the suspension of greenfield projects. In parallel, emerging economies recorded more moderate declines but remained more resilient than developed ones [10].

According to the Oesterreichische Nationalbank, represented the second most severe decline in the history of foreign direct investment statistics after 2001, with global flows contracting by 35% and investors displaying considerable reluctance in the context of fears of a global recession, political uncertainty (Brexit, the US elections), trade risks, and financial volatility [11].

OECD analyses confirm the same phenomenon: public health measures, mobility restrictions, and disruptions to global supply chains led to the suspension of numerous investment projects, while multinational firms significantly reduced their expansion plans [12].

A detailed academic assessment by Moosa and Merza shows that the pandemic affected FDI through three main channels: the macroeconomic shock represented by the contraction of output and trade, the reassessment of risk within FDI theories, and the systemic effects of global crises on capital flows. The same study notes that structural changes in the economy, such as accelerated digitalisation and the reconfiguration of production, will redirect FDI flows over the long term [13].

After the dramatic declines of 2020 up to USD 648,576 million, preliminary data from UNCTAD and OeNB indicate that FDI experienced a strong recovery in 2021 and constituted USD 1914,441 million. However, this recovery remains rather fragile owing to new global risks. The specialised literature convergently underlines that geopolitical uncertainties have become a major determinant of international investment decisions, affecting both inbound and outbound foreign direct investment flows. Geopolitical tensions, including military confrontations, trade disputes, economic sanctions, and technological rivalries, have significantly reduced investors' appetite for cross-border projects. FDI flows declined to USD 1,568,613 million in 2022 and continued their downward trend in 2023, reaching USD 1,556,106 million. A modest recovery was observed only in 2024, when FDI increased slightly to USD 1,608,874 million [25].

Yu and Wang show that geopolitical risks have a significantly negative impact on FDI inflows, diminishing host countries' capacity to attract foreign capital and generating an investment climate marked by uncertainty and volatility [14].

Within the OECD area, the study conducted by Ashutosh Chandra Dwivedi & Arpita Chandra shows that geopolitical risk has a robust negative effect on foreign direct investment inflows, and that its impact becomes more pronounced in the context of major conflicts. The authors demonstrate that European states are particularly vulnerable to such external shocks, as integrated economic and financial relationships amplify the transmission of risks across the region [15].

The synthesis of the literature on foreign direct investment flows and their role in economic development demonstrates that they contribute to GDP growth, stimulate productivity, strengthen the balance of payments, and accelerate economic modernisation. An analysis carried out by Tituleasa and Mititean highlights the central role of FDI in infrastructure modernisation, the reduction of regional disparities, and integration into global value chains [16].

In the post-Soviet period (1991-2000), the Republic of Moldova had an acute need for foreign capital for reindustrialisation, technological modernisation, and economic reconstruction. Studies by ASEM show that the lack of domestic capital and the low technological level made FDI indispensable for development [17]. Analyses by Expert-Grup confirm the contribution of foreign direct investment to export growth, improved efficiency of Moldovan firms, job creation, and the modernisation of industrial sectors [18].

Although Moldova continues to lag behind other Eastern Partnership states, the progress achieved after 2014, following the Association Agreement, has been significant. During the period 2016-2019, foreign investment followed a trajectory of moderate growth, supported by closer economic ties with the EU, the expansion of free economic zones, the development of export-oriented industrial sectors such as automotive, textiles, and agro-food processing, and the intensification of trade relations in the context of the Association Agreement. The role of the EU as the principal investor increased significantly, although vulnerability to geopolitical shocks remained evident. The year 2020 generated a severe shock to foreign investment, in line with global trends.

The post-2020 period became a crucial moment of transformation for foreign direct investment in the Republic of Moldova. Although the COVID-19 pandemic, regional crises, and the war in Ukraine created heightened risks, Moldova displayed investment behaviour atypical of an emerging state, recording significant increases in FDI during certain periods,

driven by reinvested earnings and by the repositioning of foreign investors seeking proximity to the European market [19].

3.2 The impact of foreign direct investment on the economy of the Republic of Moldova

The dynamics of aggregated macroeconomic indicators make it possible to identify the general contours of Moldova's economic trajectory in the period 2019-2024 and to determine the macroeconomic environment within which the role of foreign direct investment should subsequently be examined. Before analysing the investment mechanisms and channels through which FDI exerts its effects, it is necessary to show how the overall scale of the economy, the real dynamics of output, the inflationary environment, and the level of income per capita evolved over this period (Table 1).

In the period 2019-2024, the macroeconomic dynamics of the Republic of Moldova unfolded under conditions of a changing growth regime: the pre-crisis base of 2019 was interrupted by the pandemic-induced downturn, after which the economy moved into an unstable recovery followed by a weakening of the pace of expansion. Although nominal GDP and GDP per capita increased markedly over the period under review, this trend was not accompanied by equally sustained growth in real terms.

Table 1

Main macroeconomic indicators of the Republic of Moldova, 2019-2024						
Indicators	2019	2020	2021	2022	2023	2024
GDP, current prices, billion lei	206.3	199.7	242.1	274.5	303.6	323.9
Index of the physical volume of GDP, previous year=100, %	103.6	91.7	113.9	95.4	101.2	100.3
Deflator-index of GDP, %	105.4	105.6	106.4	118.9	109.3	106.4
GDP per capita, current prices, lei	77417	75797	93257	108551	123507	134842
Index of the physical volume of GDP per capita compared to the previous year, %	105.2	92.7	115.7	97.9	104.1	102.6

Source: compiled by the authors based on [20].

What is particularly important is that the recovery impulse following the 2020 downturn did not generate a consistent trajectory of expansion. Real indicators point to an alternation between phases of contraction and recovery, while by the end of the period economic dynamics had shifted into the zone of weak positive growth. This suggests that the post-crisis development of the national economy was not linear but rather cyclically fragmented, with the nominal expansion of the scale of the economy coexisting with limited sustainability of real output.

In Moldova, the post-crisis recovery relied less on the expansion of the industrial and construction core and more on activities sensitive to domestic turnover, logistics, digitalisation, and service intermediation.

Over the period under review, the structure of GDP use in the Republic of Moldova evolved under conditions of a weakening capital formation component, accompanied by a simultaneous increase in external trade dependence (Table 2).

Table 2

GDP use components of the Republic of Moldova, current prices, 2019-2024, million lei						
	2019	2020	2021	2022	2023	2024
Gross Domestic Product	206256.2	199733.7	242078.6	274488.1	303554.0	323932.5
Gross Fixed Capital Formation	48251.3	49810.3	58312.8	60701.6	59000.3	66460.5
Export	64333.6	55754.3	74194.2	113161.7	106585.7	102258.4
Import	116413.4	102566.0	139974.9	194587.9	178738.8	185693.1

Source: compiled by the authors based on [21].

Despite the persistence of positive dynamics in several aggregated indicators, the internal configuration of GDP use did not point to the formation of a sustainable investment-based growth foundation.

Particularly noteworthy is the decline in the share of gross fixed capital formation in GDP by the end of the period under review. This indicates that the post-crisis recovery was not accompanied by a commensurate strengthening of the investment component and, therefore, did not provide a sufficient basis for the sustained expansion of the economy's capital base.

At the same time, the external sector continued to exert a significant influence on macroeconomic dynamics, albeit in an asymmetric form: the expansion of external economic turnover was accompanied by a persistent excess of imports over exports. Consequently, the growth of aggregate demand relied to a considerable extent on external supplies, while the structural dependence on imports remained high. This suggests that part of the economic activity associated with the recovery of domestic demand was not transformed into a corresponding expansion of the national production and investment base.

Under these conditions, analytical attention shifts to the institutional structure of investment in long-term assets (Table 3).

Table 3

Investments in non-current assets by form of ownership, current prices, 2019-2024, million lei						
Indicators	2019	2020	2021	2022	2023	2024
Total	31253.2	30089.6	35411.2	37107.5	38367.5	42103.6
Private	15467.4	15380.7	19747.7	20509.6	20709.5	24846.9
Foreign	3013.6	2471.0	2927.7	3940.4	2730.4	2991.3
Joint ventures	3873.8	2280.2	2730.7	2347.7	2773.0	2665.8

Source: compiled by the authors based on [22].

In the period 2019-2024, the expansion of investment in long-term assets was accompanied by a shift in the institutional structure in favour of the domestic private sector. The growth in the total volume of investment was driven primarily by private ownership, indicating the strengthening of domestic private capital as the principal carrier of investment activity in the post-crisis period.

Against this background, the segments associated with foreign capital displayed a weaker and less stable trajectory. Investment by foreign-owned enterprises as a whole did

not establish a comparable upward trend, while the investment activity of joint ventures declined, ultimately leading to a reduction in their combined share in the overall structure of investment. Thus, the institutional configuration of the investment process shifted towards domestic sources of capital accumulation, alongside a relative weakening of the externally oriented component.

Foreign direct investment is regarded as a key external stimulus influencing the possibilities for modernisation and the expansion of the capital base of the Republic of Moldova. The dynamics of foreign direct investment are presented in Figure 1.

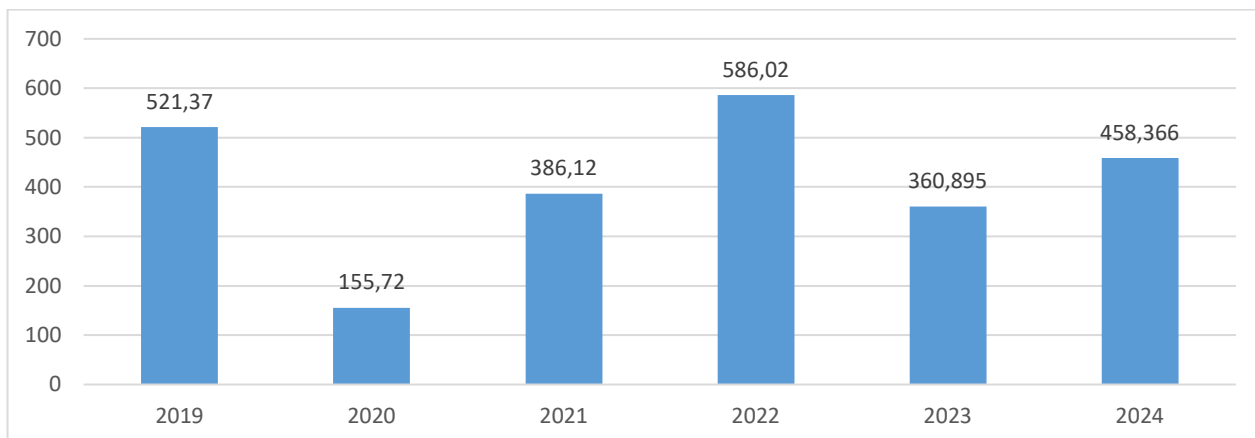


Figure 1. Foreign direct investment, net inflows, 2019-2024, million USD.

Source: compiled by the authors based on [23].

The COVID-19 pandemic significantly affected the level of foreign direct investment in the Republic of Moldova. Thus, 2020 was a year of severe shock. FDI amounted to only USD 155.7 million, declining by more than 70% compared with 2019. In the years following the pandemic, a positive upward trend in FDI was recorded, reaching a value of more than USD 586 million in 2022. In 2023, a correction occurred, followed by a recovery in 2024. Although 2024 did not return to the level recorded in 2019 or to the 2022 peak, the baseline level in 2022-2024 was clearly higher than in the period 2019-2021 (+33%).

The dynamics of the year-end stock of foreign direct investment over the period 2019–2024 are presented in Figure 2.

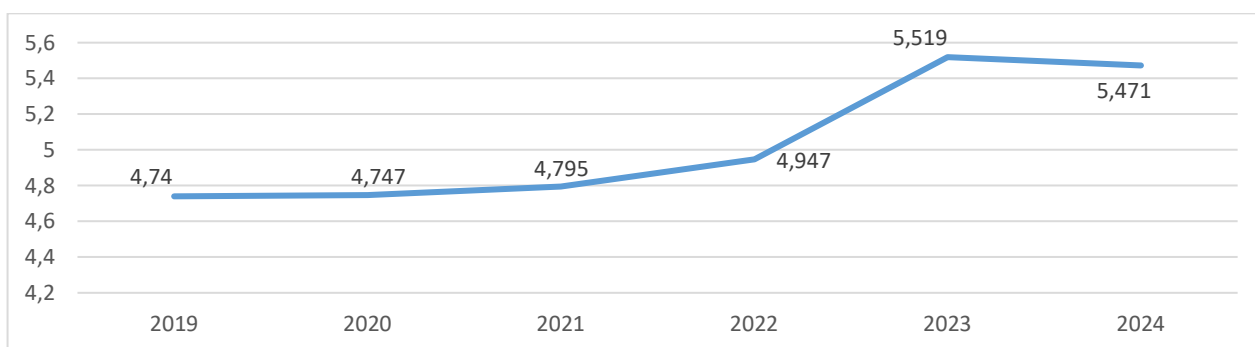


Figure 2. Foreign direct investment stock at the end of the year, 2019-2024, USD billion.

Source: compiled by the authors based on [24].

The total stock of liabilities in the form of direct investment at year-end followed an upward trend, increasing from USD 4.74 billion in 2019 to USD 5.471 billion in 2024. As of 31 December 2024, the total stock of direct investment liabilities stood at USD 5.471 billion,

representing a marginal decrease of 0.9% compared with the level recorded at the end of 2023. This decline does not reflect capital withdrawals, but is explained primarily by revaluation effects. The main contribution to the downward adjustment came from the depreciation of the Moldovan leu against the US dollar, which amounted to -6.2% over the course of the year. It is important to emphasise that, in the absence of these factors, the stock of direct investment would have recorded positive dynamics in 2024.

The share of foreign direct investment in gross domestic product is a relevant indicator for assessing the involvement of foreign capital in the development of the economy of the Republic of Moldova. In 2024, net FDI flows reached USD 458.4 million, equivalent to 2.52% of GDP, marking a moderate increase compared with 2023 (2.16%).

Comparing the stock of foreign direct investment (FDI) with gross domestic product (GDP) constitutes an essential analytical tool for assessing the degree of integration of foreign capital into the structure of the national economy. In 2024, the share of the FDI stock in GDP reached 30.1%, indicating a moderate presence of foreign capital in the Republic of Moldova (Figure 3).

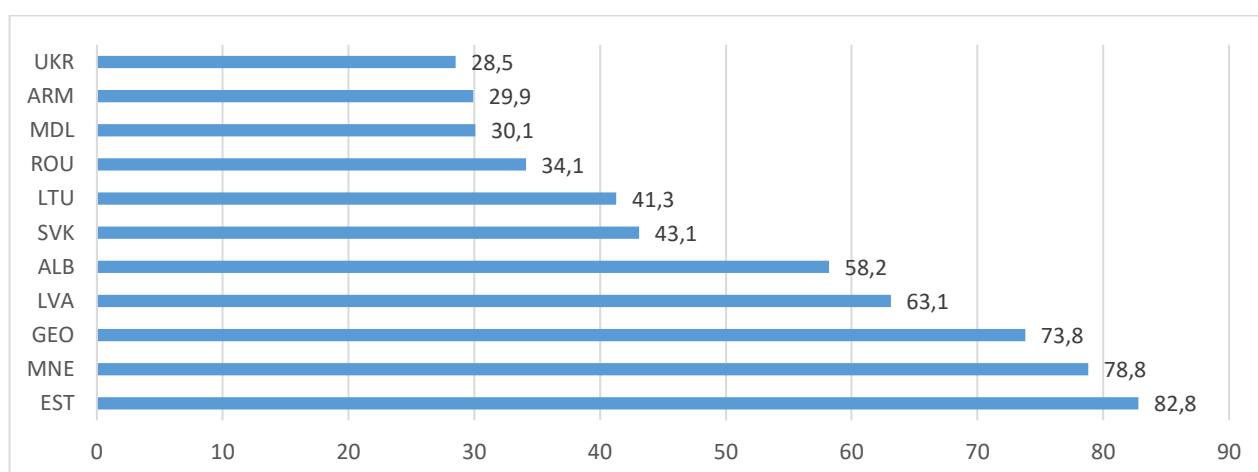


Figure 3. Share of the FDI stock in GDP: Moldova vs. comparator countries, 2024, %.

Source: compiled by the authors based on [25].

In comparative terms, many economies in Central and Eastern Europe—particularly the Baltic states, Slovakia, and several countries in the Balkan Peninsula—record substantially higher ratios. These higher levels reflect deeper integration into international value chains, stronger investment attractiveness, and a more advanced capacity to attract complex investment projects, including in sectors with high added value. Accordingly, the observed disparities highlight the need to accelerate structural modernisation and improve the investment framework in the Republic of Moldova in order to enhance competitiveness and stimulate long-term capital flows.

Cumulative foreign direct investment inflows per capita represent an essential indicator for assessing the intensity of foreign capital attraction relative to the size of the population. In the case of the Republic of Moldova, the cumulative value for the period 2019–2024 amounted to USD 758.6 per capita, whereas Romania recorded USD 2,548.5 per capita over the same period, approximately 3.6 times higher. This disparity points to the persistence of significant untapped potential in terms of attracting FDI to the Republic of Moldova. The relatively low level of this indicator is shaped by structural factors such as the limited size of the domestic market, the economy's vulnerability to regional shocks, the moderate degree of industrial sophistication, and the gradual pace of institutional and economic modernisation.

In the Republic of Moldova, foreign investment flows are channelled through FDI enterprises, foreign-owned enterprises, and joint ventures.

The post-pandemic dynamics in the number of these enterprises are presented in Table 4.

Table 4

Evolution in the number of enterprises with FDI, foreign-owned enterprises, and joint ventures, 2019-2024

Type of enterprise	2019	2020	2021	2022	2023	2024
Enterprises with FDI	4243	4092	3966	3908	3794	2889
Foreign-owned enterprises	2622	2536	2505	2504	2530	2668
Joint ventures	1521	1556	1461	1404	1254	1221
Total	8386	8184	7932	7816	7578	6778

Source: compiled by the authors based on [26].

In the post-pandemic period, the dynamics of enterprises with direct foreign participation revealed a clear downward trend. The number of enterprises with FDI declined from 4,243 in 2019 to 2,889 in 2024, equivalent to a decrease of approximately 32%. Over the same interval, joint ventures recorded a decline of about 20%, indicating a gradual withdrawal of foreign investors from shared ownership structures. It is worth noting that only the segment of foreign-owned enterprises (with wholly foreign capital) displayed a different pattern: after a slight decline until 2022, their number began to increase, and by 2024 it had exceeded the level recorded in the pre-pandemic period. This evolution suggests a reorientation of investors towards more firmly established forms of economic presence and a stronger preference for full control over operations conducted on the market of the Republic of Moldova [19].

Overall, enterprises with foreign direct investment - particularly those with wholly foreign capital - continue to represent a strategic employer in the economy of the Republic of Moldova, contributing substantially to the modernisation of the employment structure, the integration of the economy into global value chains, and the development of human capital. In 2024, companies with FDI employed 13.7% of the total workforce, of which 9.9% were employed in wholly foreign-owned enterprises and 3.8% in joint ventures [19].

In 2024, enterprises with foreign direct investment generated 23.3% of the total revenues of the economy of the Republic of Moldova, of which 15.0% was attributable to wholly foreign-owned companies and 8.2% to joint ventures [19].

These entities continue to stand out through higher levels of productivity compared with private enterprises with domestic capital, which confirms their role as pillars of economic performance (Table 5).

The evolution of revenue per employee shows that foreign direct investment has a major structural impact on the economic competitiveness of the Republic of Moldova. Enterprises with FDI, especially joint ventures and wholly foreign-owned enterprises, consistently outperform local private firms, suggesting that their higher productivity is driven by access to capital, technology, managerial know-how, and integration into global value chains.

Enterprises with FDI - namely wholly foreign-owned enterprises and joint ventures - also make a substantial contribution to profit generation. In 2024, they accounted for 19.5% of total profit, of which 12.2% was generated by wholly foreign-owned companies and 7.3% by joint ventures [19].

Table 5

Labour productivity in enterprises with different forms of ownership, 2019–2024 (thousand lei per employee)

Type of enterprise	2019	2020	2021	2022	2023	2024
Enterprises with FDI	1380	1380	1755	2116	2061	2085
Foreign-owned enterprises	1322	1322	2116	1755	1734	1869
Joint ventures	1442	1442	3042	3047	2922	2643
Private enterprises	867	921	1113	1113	1127	1199

Source: compiled by the authors based on [19].

Through their disproportionate contribution to job creation, the maintenance of high levels of productivity, and profit generation, enterprises with FDI, wholly foreign-owned enterprises, and joint ventures remain essential for modernising the productive structure, stimulating competitiveness, and strengthening the technological capacities of the Republic of Moldova.

3.3 Correlation and regression analysis of the relationship between economic growth and foreign direct investment in the Republic of Moldova

Based on the descriptive analysis presented above, it can be observed that foreign direct investment and the indicators associated with it are in a meaningful relationship with the economic dynamics of the Republic of Moldova. However, in order to move beyond the level of descriptive observations and to assess more rigorously the direction and intensity of the relationship between economic growth and the selected investment variables, a multifactor econometric model was applied. For this purpose, a linear regression model is estimated below, making it possible to examine the relationship between the growth rate of GDP per capita and a set of factors reflecting the evolution of foreign direct investment, investment in fixed assets under foreign ownership, foreign funds, labour productivity in enterprises with FDI, as well as the effect of the time trend. The period under examination is extended to 2015–2024 in order to capture statistical relationships over a broader time horizon than that covered by the post-pandemic dynamics alone.

3.3.1 Specification of the econometric model and description of the variables

The initial data for the baseline model are presented in Table 6.

Following the analysis of the data for the period 2015 - 2024, a multifactor linear regression econometric model was estimated, with the growth rate of GDP per capita as the dependent variable and, as explanatory variables, the growth rate of net direct investment, the growth rate of investment in fixed assets under foreign ownership, the growth rate of foreign funds, the growth rate of labour productivity in enterprises with foreign direct investment, as well as the time factor. The estimation yielded the following regression model [27]:

$$Y = 6.197 + 0.031 \cdot X_1 + 0.095 \cdot X_2 + 0.174 \cdot X_3 + 0.154 \cdot X_4 + 0.336 \cdot t$$

The verification and processing of the model were carried out using QM for Windows and RStudio, which made it possible to assess the relationship between the dependent variable and the explanatory factors included in the analysis. The estimated model highlights the existence of a direct relationship between the growth rate of GDP per capita and the explanatory variables considered, thereby providing an analytical basis for assessing the influence of foreign investment and labour productivity in enterprises with FDI on the dynamics of economic growth.

Table 6

Initial data for the econometric model, 2015-2024

Year	Growth rate of GDP per capita, %	Growth rate of net direct investment, %	Growth rate of investment in fixed assets under foreign ownership, %	Growth rate of foreign funds, %	Growth rate of labour productivity in enterprises with FDI, %	Time
	Y	X1	X2	X3	X4	t
2015	12.05145	-28.2747	19.3344	17.70924	6.442308	1
2016	9.630474	-65.6098	30.45884	-4.80499	-1.17435	2
2017	12.61701	91.35358	3.461423	4.822246	0.639854	3
2018	9.321875	87.72541	16.23535	-3.35796	0.817439	4
2019	10.85385	77.86596	7.352522	24.45448	13.15315	5
2020	-2.09256	-68.3202	-18.005	-29.5717	9.872611	6
2021	23.03521	144.7443	18.4824	-1.68873	27.17391	7
2022	16.39984	45.50882	34.59029	-5.30645	20.5698	8
2023	13.77786	-36.8665	-30.7075	24.88503	-2.59924	9
2024	9.177617	-28.6279	9.555377	14.01391	1.164483	10

Source: compiled by the authors.

3.3.2 Estimation results and interpretation of the identified relationships

The model estimation results reveal the existence of a direct relationship between the growth rate of GDP per capita and the explanatory variables included in the analysis. The regression coefficient associated with variable X1 ($b_1 = 0.031$) shows that a 1 percentage point increase in the growth rate of net direct investment leads, on average, to a 0.031 percentage point increase in the growth rate of GDP per capita, holding all other factors constant. The positive sign of the coefficient indicates a direct relationship between net direct investment and GDP per capita growth. In other words, an intensification of direct investment flows generally contributes to supporting economic growth. However, the numerical value of the coefficient is relatively small, suggesting that the influence of foreign direct investment on the economy is manifested not only directly, but also indirectly through fixed capital, productivity, technology, organisation, exports, and other channels.

The regression coefficient associated with variable X2 ($b_2 = 0.095$) indicates that a 1 percentage point increase in the growth rate of investment in fixed assets under foreign ownership leads, on average, to a 0.095 percentage point increase in the growth rate of GDP per capita, holding all other factors constant. This indicates that foreign investment directed towards fixed capital exerts a positive and relatively more pronounced influence on the dynamics of economic growth. This result has important economic significance, since investment in fixed assets reflects the allocation of resources to the material base of the economy: machinery, equipment, buildings, production infrastructure, and other components of fixed capital. Under normal conditions, such investment contributes to the expansion of production capacity, technological modernisation, and improved economic efficiency.

In the case of variable X3, the regression coefficient ($b_3 = 0.174$) shows that a 1 percentage point increase in the growth rate of foreign funds leads, on average, to a 0.174 percentage point increase in the growth rate of GDP per capita, holding all other factors constant. This is the highest regression coefficient among the economic factors included in

the model, highlighting the significant role of external financing in stimulating economic growth.

The coefficient associated with variable X4 ($b_4 = 0.154$) indicates that a 1 percentage point increase in the growth rate of labour productivity in enterprises with FDI leads, on average, to a 0.154 percentage point increase in the growth rate of GDP per capita, holding all other factors constant. Therefore, labour productivity constitutes an important channel through which the positive effects of foreign investment are transmitted to economic growth. In other words, not only the volume of investment matters, but also the efficiency with which that investment is transformed into productive outcomes.

The regression coefficient associated with the time variable ($b_5 = 0.336$) reveals the existence of a positive linear trend, which means that, holding all other factors constant, the growth rate of GDP per capita increases, on average, by 0.336 percentage points from one year to the next. This result suggests that the dependent variable is also influenced by other general time-related factors that are not directly captured by the variables included in the model.

The multiple correlation coefficient, $R = 0.828$, indicates the existence of a relatively strong relationship between the growth rate of GDP per capita and the set of factors included in the model. The proximity of the multiple correlation coefficient to unity suggests that the model has a relatively high level of explanatory credibility and may be considered sufficiently reliable for interpreting the general relationships among the indicators analysed.

The coefficient of determination, $R^2 = 0.685$, shows that 68.5% of the variation in the growth rate of GDP per capita is explained by the explanatory variables included in the model, while 31.5% is attributable to other factors not captured by the regression equation or to random influences [28].

The regression model estimation was verified by applying the Fisher test, which makes it possible to assess the significance of the equation as a whole. The calculations yielded $F_{calc} = 1.73981$, for $df_1 = 5$ and $df_2 = 4$ degrees of freedom, while the associated probability level was $p = 0.3058$ [27]. On this basis, the model may be regarded as a useful econometric instrument for analysing the relationships between the growth rate of GDP per capita and the explanatory factors included, providing a relevant picture of the direction of their influence and of their relative contribution to the variation of the dependent indicator.

The individual estimation of the regression coefficients was assessed using the Student's t-test. The results show that the highest t-statistic among the explanatory variables is associated with the coefficient for foreign funds ($t = 1.492$), which indicates relatively stronger support for this variable compared with the other factors included in the model. Overall, the values of the Student statistic indicate a moderate level of individual confirmation of the coefficients, which supports emphasising the general direction of the factors' influence on the dependent variable.

4. Conclusions

The research results show that foreign direct investment occupies an important place in the dynamics of the economy of the Republic of Moldova; however, its contribution is not manifested uniformly and cannot be interpreted outside the macroeconomic and institutional context in which it evolves. The descriptive analysis indicates that, although investment flows were affected by major external shocks and followed a volatile trajectory, foreign capital maintained its importance in the national economy through its contribution to employment,

revenues, profitability, and productivity. At the same time, the international comparisons and relative indicators used in the study suggest that the Republic of Moldova still has insufficiently exploited potential in terms of attracting and leveraging FDI.

At the structural level, enterprises with foreign participation stand out through superior economic performance compared with a substantial share of domestic enterprises, particularly with regard to labour productivity and their contribution to aggregate economic results. This supports the idea that the effects of FDI are not limited to the mere provision of capital, but also include qualitative dimensions associated with the transfer of technologies, managerial practices, and integration into more competitive economic circuits. At the same time, the reduction in the number of certain categories of enterprises with foreign participation suggests that the relevance of FDI should be assessed not only in terms of quantitative expansion, but also in terms of their actual capacity to generate economic value.

The results of the correlation and regression model indicate the existence of positive associations between the growth rate of GDP per capita and the investment variables included in the analysis, especially those related to investment directed towards the productive base, foreign funds, and labour productivity in enterprises with FDI. The level of statistical confirmation of the model and of the individual coefficients makes it possible to identify probable relationships and the general direction of the associations among the variables analysed.

Overall, the study supports the view that foreign direct investment may represent an important mechanism for sustaining economic growth in the Republic of Moldova, with effects transmitted through productivity, investment in fixed capital, and enterprise performance. However, the more consistent transformation of this potential into sustainable economic development depends on strengthening the investment framework, enhancing the absorption capacity of the economy, and reducing the structural vulnerabilities that limit the impact of investment on long-term growth.

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