

Pull Factors and Capital Inflows: Empirical insights from Transformative Dynamics in Southeast Europe

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Abstract

This study seeks to examine pull factors of capital inflows, offering an empirical analysis based on a panel study of eleven Southeast European countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Montenegro, North Macedonia, Kosovo, Romania, Serbia, and Türkiye) over the period of 2004 – 2021. Methodologically, the study utilizes a fixed effects (FE) regression model with robust Driscoll-Kraay standard errors to address issues of heteroskedasticity, autocorrelation, and potential cross-country correlation. The study finds that several pull factors can be relevant in driving capital inflows as follows: market size, inflation, financial and trade openness. The empirical analysis confirms that the forces of trade liberalization, financial liberalization, market size, real interest rates and inflation stability are the elements that encourage capital inflows. On the other hand, the estimated effects of current account balance and real economic growth are not very convincing. Finally, we stress that more study is required to fully understand the pull variables' ultimate macroeconomic implications at the national level. The overall influence of these positive (or negative) inflows may be moderated by several characteristics, even if certain countries may be extremely susceptible to these factors.

Introduction

Globalization and cross-border flows to developing nations have increased literature on capital flows and liberalization effects. Foreign capital inflows can stimulate economic advancement and prosperity, but they also present opportunities and uncertainties in macroeconomic policies (Obstfeld, 2012). Domestic drivers of capital inflows or demand-side factors in emerging markets include domestic macroeconomic fundamentals and potential foreign capital fleeing for better investment prospects (Ganić, 2021).

Scientific research on international capital movements indicates differences between developed, developing, and emerging economies,

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while some studies argue for global patterns. Although there is no consensus, research generally shows that factors attracting domestic capital influence investor risks and returns based on economic fundamentals, policies, and market imperfections (Fernandez-Arias & Montiel, 1996; Ghosh et al., 2014). The 1980s and 1990s saw emerging markets relax capital controls, contributing to increased cross-border capital flows (Kose & Prasad, 2004). The reasons for this can be attributed to certain economic determinants such as high interest rates, low inflation, potential for rapid growth, and trade openness. Push factors arise from external economies, while pull factors originate from within the domestic economy (Sarno, et al. 2016).

This paper investigates the influence of domestic factors on capital flows in eleven Southeast European countries. It aims to identify these factors' presence and examine their potential impact on capital inflows. The study will also explore theoretical and statistical methods for data interpretation. No country-specific study in Southeast European countries has investigated this perspective, revealing a gap in the literature on the impact of various domestic pull factors on capital flows. While cross-country research in Southeast Europe has addressed capital inflows, economic liberalization, and institutional outcomes, there is extensive research on the factors influencing cross-border flows in emerging markets (EMEs). However, it remains unclear which variables significantly impact these markets. Therefore, to determine the drivers of cross-border capital flows, we analyze pull factors through the lens of international financial theory.

Literature Review

Economic cooperation leads to significant financial flows to emerging and developing nations, benefiting their economies. However, unpredictable portfolio investments may have negative impacts. Research focuses on understanding the factors influencing these flows, including both push and pull elements. Limited studies have explored capital outflows from industrialized to developing countries. The global macroeconomic shifts during the 2000s prompted ongoing debates on the relative importance of push and pull factors, although within a different context. With the availability of more detailed data, researchers began focusing on the determinants of various capital flow components. The global financial crisis also led to significant changes in the patterns of capital movements. The debate continues on whether capital movements are driven by developed world business

cycles or developing nations' economic improvements (Mudyazvivi, 2016; Oloko, 2018; Taylor & Sarno, 1997; Fratzscher, 2012; Calvo, et al. 1993).

According to Calvo & Reinhart (1996), regional geography and other country-specific factors—which may not always be under the country's control—can have a significant impact on capital inflows. The authors show that small countries that are in the same region as large countries that draw capital flows see an increase in capital flows. Numerous factors that impact FDI flows have been examined in studies that have looked at them. Some scholars explain that the industrialized world's variables can influence the total amount of capital flows, but each nation's unique circumstances ultimately determine which nation will receive the capital (Montague & Reinhart; 1999; Corbo & Hernandez, 2001). Montiel & Reinhart's study (1999) suggests that capital constraints can boost FDI, while cross-border capital flows improve economic well-being by facilitating efficient capital allocation and harmonizing consumption paths (Koepeke, 2019).

Early research emphasized the impact of domestic factors on the rapid capital inflow in emerging markets in the 1990s (Lopez Mejia, 1999). Investors are attracted to these markets for risk diversification and higher returns, driven by improvements in creditworthiness and productivity due to reforms. In this context, some studies indicate that production levels, low inflation, market openness, management and depth of the financial system play a significant role in attracting capital. Likewise, GDP growth is seen as a significant determinant in attracting capital flows (Giordani et al., 2017; Mercado & Park, 2011).

Some empirical studies indicate that several factors are crucial in determining capital flows, including real exchange rates, inflation rates, the degree of financial development, economic openness, the quality of domestic institutions, the amount of public debt, and many other relevant variables (Alfaro et al., 2007; Milesi-Ferretti & Tille, 2011; Olaberriá, 2015; Cerutti, 2015; Baek & Song, 2016; Ganić 2022). For example, Alfaro et al. (2007) concluded that luring cross-border capital inflows to emerging economies requires a strong economic foundation in the host nation.

Eichengreen et al.'s study (2018) reveals that capital and debt are the most volatile assets, influenced by pressure factors in bank-mediated flows, while foreign direct investment is more stable. Several studies investigated explored capital flows in Eastern Europe (Lankes et al.,

1999; Murgasova et al., 2015; Ganić, 2021). Generally, the studies find a rise in capital flows thanks to progress in the transition process and macroeconomic stability, which serve as significant pull factors.

The Balkans struggle to control foreign capital flows, leading to slow economic growth and declining government aid. Small economies and low activity make external funding primarily bank loans and debt finance (Ganić, 2021).

As noted by Cerutti (2015), the unique features of the market have a substantial impact on the push and pull forces that affect capital flows. Many pull factors are examined in their analysis, including trade openness, public debt, commodity prices, real GDP growth, and other pertinent variables. Murgasova et al. (2015), on the other hand, examine the Western Balkan economies and identify several changes. Their research leads them to the conclusion that the Western Balkan nations are steadily reconstructing and reorganizing their economies, adjusting to international trade, growing the private sector, and enhancing legal frameworks, tax structures, and financial organizations.

Koczan (2017) investigated the flows of international capital between the Western Balkans and newly admitted EU countries, concluding that the financial integration of the Western Balkans began somewhat later than that of the new EU members. However, it is still growing rapidly despite the region's relatively low level of capital account openness. Additionally, Barrot & Serven (2018) concluded that the exchange rate regime and the level of financial openness are important determinants of capital flows.

Ganić & Hrnjic (2019) empirically investigated FDI flows in the countries of South-Eastern and Central-Eastern Europe and concluded that they can be attracted by stimulating economic growth, maintaining political stability, striving for EU membership and reducing business regulations. In conclusion, an analysis of multiple studies demonstrates a relationship between pull factors and capital inflows. Economies with stronger pull factors tend to attract more foreign investors and experience greater capital inflows. However, recent research suggests that the impact of pull variables differs among countries and that their effects on capital inflows are not uniform globally.

Methodology and Data

The research utilizes an unbalanced panel dataset that includes eleven countries from Southeastern Europe. These countries are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Montenegro, North Macedonia, Kosovo, Romania, Serbia and Türkiye between 2004 and 2021. Multiple sources, including the World Development Indicators (WDI) database (2021), The Chinn-Ito Financial Openness Index (2021 Update), External Wealth of Nations Mark II database (Lane & Milesi-Ferretti, 2021) have been utilized to gather the data for this study. For the variable of REIR missing data for Greece (2015, 2017, 2018, 2019, 2020, 2021), Türkiye (2020, 2021), Kosovo (2004, 2005, 2006, 2007, 2018, 2019, 2020, 2021) while for the variable CAOPEN missing data for Serbia, Montenegro and Kosovo. Additionally, it is essential to provide additional context by presenting each variable alongside its anticipated effect within the research framework. Moreover, Table 1 presents definitions of all variables, their abbreviations and data sources.

This study examines capital inflows (CAPI) as the primary dependent variable, influenced by factors like inflation, market size, real interest rate, trade openness, capital account balance, financial openness, and economic growth. Capital inflows include FDI, portfolio investment, debt, financial derivatives, and foreign exchange reserves (Lane & Milesi-Ferretti, 2021).

To determine how much a nation is more likely to trade with other nations, the trade openness variable (TRO) is incorporated into the model. This variable was selected because it was frequently used in studies that stressed its significance and impact on capital inflows, including those by Biesebroeck (2003), Mercado & Park (2011), Cerutti (2015), Ganić & Hrnjic (2019), and Ganić & Novalić (2023). It is anticipated that there will be a positive relationship between this variable and our dependent variable (CAPI), showing that increased trade openness is typically accompanied by increased capital inflows.

To proxy a host country's financial openness a variable of CAOPEN is employed in the model because it may be crucial for capital inflows into emerging markets (Alfaro, et al. 2007; Mercado & Park, 2011; Byrne & Fiess, 2016; Barrot & Serven, 2018). If a nation's capital account is

closed, its requirement for external financing might not even be satisfied. We use a measure of (de jure) financial openness—derived from Chinn -Ito Financial Openness Index (updated 2021) ()—into our analysis to account for this potential and expect a positive relationship between financial openness and capital inflows.

The model incorporates the real interest rate (REIR) as a domestic pull factor, highlighting official policies, market imperfections, and macroeconomic conditions. Higher interest rates and a strengthening domestic

currency are expected to attract more capital to emerging markets. (Fernandez-Arias & Montiel, 1996; Ghosh, et al. 2014).

The current account model reveals that capital flows in developing countries respond to temporary shocks, with surges linked to short-lived capital inflows. The current account deficit (CACC) should address financing needs arising from these shocks (Obstfeld & Rogoff, 1995; Ghosh, 1995).

Table 1

Variables definitions, labels and data sources

Variable	Definition	Label	Source
Total Capital inflows	The sum of foreign direct investment, portfolio investment, and debt.	CAPI	Lane and Milesi-Ferretti, 2021
Trade openness	Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product.	TRO	World Development indicators (2021)
Capital openness	Measures the extent of openness in capital account transactions	CAOPEN	The Chinn-Ito Financial Openness Index (2021 Update)
Real interest rate (%)	The real interest rate is the lending interest rate adjusted for inflation as measured by the GDP deflator.	REIR	World Development indicators (2021)
Current account balance	The current account balance is the sum of net exports of goods and services, net primary income and net secondary income.	CACC	World Development indicators (2021)
Inflation	A sustained increase in the general level of prices for goods and services.	INFL	World Development indicators (2021)
Market size	The sum of gross value added by all resident producers in the economy plus any product taxes (less subsidies) not included in the valuation of output, divided by mid-year population.	LnGDPPC	World Development indicators (2021)
Economic growth	Annual percentage growth rate of GDP at market prices.	GDPGrowth	World Development indicators (2021)

Source: Authors

Additionally, the control variable inflation (INFL) is incorporated into the model to serve as a stand-in for the macroeconomic environment of the host country. The variable INFL was chosen due to its widespread use in the studies reviewed in this paper. Notably, research by Haque (1997), Mercado & Park (2011), Kim et al. (2013), and Cerutti (2015) have shown that lower inflation levels can attract more capital inflows and stimulate investor interest in a country.

GDP per capita (GDPPC) is used as an indicator of the market size in many studies, including works by Ganić & Hrnjic (2019), Mercado & Park (2011), Kim et al. (2013),

Mudyazvivi (2016), and Belke & Volz (2018). These works have shown that a larger market usually attracts more interest from investors, leading to increased capital inflows in the country. Therefore, it is expected that there will be a positive relationship between market size and capital inflows.

An economic growth variable (GDPGrowth) is included in the model as a control variable to control different growth rates across the sample. Ghosh et al. (2014), Cerutti (2015), Ganić & Hrnjic (2019) suggest that the probability of seeing capital inflows is also correlated with the country's fundamentals, particularly actual

economic growth. Therefore, variable economic growth is included in the model with the expectation to have a positive impact on capital inflows.

The study attempts to gain a thorough grasp of each pull factor's impact on capital inflows by methodically examining its consequences. To estimate and measure the impact of pull factors on capital inflows we apply the following general panel data regression model:

$$\text{LnCAPI}_{it} = \alpha + \beta \text{Pull factors}_{it} + \gamma \text{Control variables}_{it} + \varepsilon_{it} \quad (1)$$

where i refers to individual country ($i = 1, 2, \dots, N$) at time period t ($t = 1, 2, \dots, T$), while ε_{it} is error term.

Our particular linear equation model is expressed as follows:

$$\text{LnCAPI}_{it} = \beta_0 + \beta_1 \text{LnTRO}_{it} + \beta_2 \text{CAOPEN}_{it} + \beta_3 \text{REIR}_{it} + \beta_4 \text{LnCACC}_{it} + \beta_5 \text{INF}_{it} + \beta_6 \text{LnGDPPC}_{it} + \beta_7 \text{GDPGrowth}_{it} + \varepsilon_{it} \quad (2)$$

where the pull factors are trade openness (TRO), capital openesses (CAOPEN), the real interest rate (REIR) and the current account balance (CACC) while the control variables are market size (GDPPC), economic growth variable (GDPGrowth) and inflation (INFL).

The study used pooled data model (OLS), fixed effects model (FE), and random effects (RE) model to estimate

the model stated in equation 2. Post-estimation tests revealed that FE model regression with Driscoll and Kraay standard errors was the most reliable approach. These standard errors were appropriate for errors with heteroskedasticity, autocorrelation, and possible correlation across countries.

Results and Discussion

Table 2 provides descriptive statistics for the dataset used in the models, highlighting key variables. The mean value of LnCAPI is 4.21, with a relatively low standard deviation of 0.79, indicating a significant spread of values, ranging from 3.10 in Montenegro (2004) to 5.98 in Greece (2009). LnTRO ranges from 1.77 in Romania (2005) to 2.17 in North Macedonia (2021), with a relatively low standard deviation of 0.11 indicating similar trade openness across most SEE countries. The variable of CAOPEN has a mean of 0.62 and a standard deviation of 0.28, suggesting moderate financial openness with values ranging from 0.16 (Türkiye) to 1 (Bulgaria, Romania, and Greece). The variable of REIR has a high standard deviation of 4.34 and an average of 4.82, with values ranging from -9.74 in Serbia (2005) to 17.73 in Kosovo (2008). The variable of CACC varies significantly, with values between -49.65 in Montenegro (2006) and 3.73 in Croatia (2017), and the inflation rate ranges from -2.41 in Kosovo (2010) to 19.60 in Kosovo (2004), showing significant variability. The data set presents a detailed overview of economic metrics, highlighting differences in variability among the variables.

Table 2

Descriptive statistics

Variables	Obs	Mean	Std. Dev	Min	Max
LnCAPI	198	4.478567	0.7929331	3.068557	5.978065
LnTRO	196	1.921911	0.1141669	1.6641	2.166493
CAOPEN	145	0.625207	0.2920249	0.1629476	1
REIR	182	6.125173	6.155143	-9.739032	43
CACC	195	-6.960853	6.8841	49.64724	3.734552
INFL	196	3.587257	3.944117	-2.410264	19.59649
LnGDPPC	194	8.819102	0.5371324	7.832986	10.08884
GDPGrowth	195	2.960803	4.230841	-15.30689	13.04346

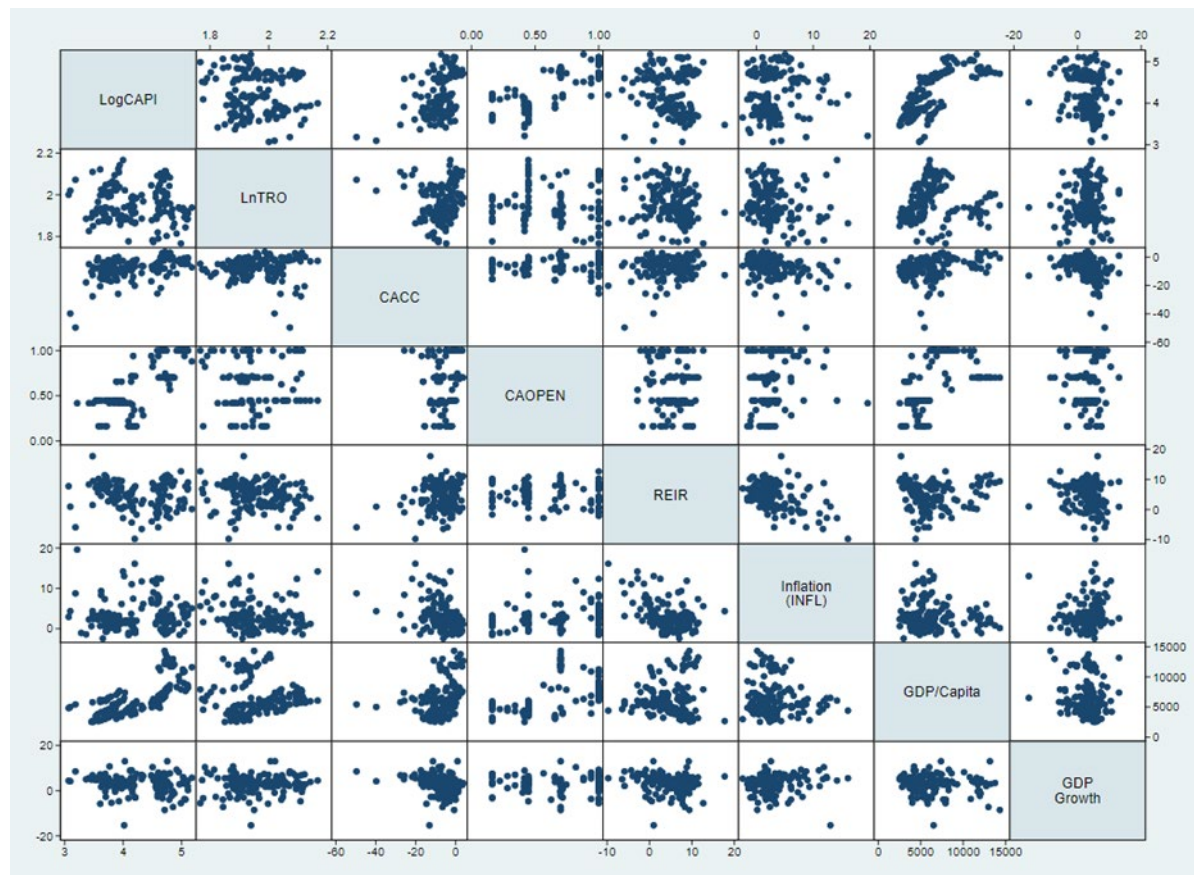
Source: Authors' calculation

A scatterplot matrix is a useful tool for showing a group of scatterplots that show multiple variables' pairwise correlations. It shows that there are several important links between the variables (Figure 1). Important findings include the following: there are positive connections between LnCAPI and GDPPC, REIR and CAOPEN, and

negative correlations between LnTRO and GDPGrowth with LnCAPI. These correlations demonstrate the interdependence of several economic variables, with real interest rates, GDP per capita, trade and capital account openness all having a significant impact on total capital inflows.

Figure 1

The scatterplot matrix between selected variables



Source: Authors' calculation

The F-test, Breusch-Pagan test, and Hausman test are used to identify the most suitable model for our data (Table 3). The F-test for comparing pooled and fixed effects (FE) model yields a p-value of zero, leading to the rejection of the null hypothesis and indicating that the pooled model is not preferable. Since the null hypothesis of the LM test is rejected, we determine that the random effects (RE) model is more desirable than the pooled model. The Hausman test compares FE and RE estimators, and the results (i.e., chi-square statistic: 626.20, df = 7, p=0.0000) suggest that the FE model is preferable to the RE model. Therefore, we conclude that the FE model is preferred.

Given that the panel data used in the regression allows for multiple observations to be made at different periods for each country or unit, the total number of observations for all groups is 134. This suggests that the number of data points or records in each set under examination may range from 134, depending on the type of panel data. These records may include repeated observations of the eight variables that make up the panel data model.

Table 3

Model Selection

Models compared	Test applied	Test statistic	p-value
Pooled vs Fixed	F test	F (7, 119) = 14.01	p=0.0000
Pooled vs Random	Breusch and Pagan Lagrangian multiplier test	Chibar3(05) = 41.49	p=0.0000
Random vs Fixed	Hausman Test	chi2(7) = 626.20	p=0.0000

Source: Authors' calculation

Table 4 presents empirical results for three models, the random effects model (M1), the fixed effects model (M2) and the fixed effects model with Driscoll and Kraay standard errors (M3). The estimated coefficient for Trade Openness (LnTRO) is statistically significant at a 10% and 5% level in both fixed effects models (M2 and M3), respectively. This implies that changes in trade openness have a significant impact on LnCAPI, indicating its role as

a pull factor influencing capital inflows. It is in line with some studies done by such as: Mercado & Park, (2011), Cerutti (2015), Biesebroeck (2003) that high trade openness fosters capital inflows.

The estimated value of the coefficient for the second variable CAOPEN, shows a significant positive relationship with capital inflows in all three models at a 1% and 5% level. It is in line with our expectations where

higher financial openness stimulates capital inflows (Alfaro, et al. 2007; Mercado & Park, 2011; Byrne & Fiess, 2016). In addition, there is an inverse relationship between our third explanatory variable real interest rate and capital inflows in Model 2 and Model 3. The significant negative relationship in Model 3 at the 10% level indicates that the current level of real interest rate in a panel of eleven Southeast European countries does not look to stimulate more capital inflows in the region.

Table 4

Regression output

Explanatory Variables	RE	FE	FE
	Ordinary se(b _i)	Ordinary se(b _i)	Driscoll-Kraay se(b _i)
	M1	M2	M3
LnTRO	-1.460194*** (.3741787)	0.7395601* (0.5643877)	0.8127591* (0.2342594)
CAOPEN	0.55345*** (0.1409575)	0.4384475*** (0.1618336)	0.4283296** (0.2225157)
REIR	0.0221728*** (0.0069769)	-0.0054981 (0.0068247)	-0.0054981* (0.0029272)
CACC	0.0071931 (0.0073414)	-0.0045073 (0.0062704)	-0.0039611 (0.004507)
INFL	0.0342206*** (0.010757)	-0.0118459 (0.0101987)	-0.0122803*** (0.0022509)
LnGDPPC	0.7736761*** (9.38e-06)	0.1387171 (0.0000201)	0.0000128* (6.37e-06)
GDPGrowth	-0.0028925 (-0.0087669)	-0.0223547*** (0.0067165)	-0.0231566*** (0.0040633)
Constant	-0.0293005 (1.263711)	1.823589*** (1.069752)	12.826066*** (0.4409315)
Observations	134	134	134
sigma_u	0	0.77400823	
sigma_e	0.2657688	0.2657688	
rho	0	0.89453374	
R-sq within	0.0303	0.2005	0.2005
R-sq between	0.9500	0.0380	
R-sq overall	0.7988	0.0425	

Note: standard errors are reported in parentheses; while *, **, *** denote 10%, 5% and 1% significance levels respectively.

Source: Authors' calculation

Next, the coefficient for Gross Domestic Product per Capita (LnGDPPC) is also statistically significant in Model 3 at 10% significance level, suggesting that higher market size is associated with increased capital inflows. It is in line with some studies done by Mercado & Park (2011), Kim, et al. (2013), Mudyazvivi (2016), Belke & Volz (2018), Ganić & Hrnjic (2019) that suggest that market size determines capital inflows. Inflation (INLF), a significant factor in capital flows, has a negative coefficient in Model 3, indicating that higher levels of inflation rate decrease capital inflows and vice versa, aligning with previous studies suggesting lower inflation levels attract greater capital inflows and investor interest

(Haque, 1997; Mercado & Park, 2011; Kim, et al., 2013; Cerutti, 2015). Furthermore, the variable of current account (CACC) has a negative but insignificant impact on capital inflows, while a variable of GDPGrowth also has a negative and statistically significant impact on capital inflows in Model 2 and Model 3.

The Pesaran test is used to evaluate residual correlation (Table 5). Bias in the test results may be introduced by cross-sectional dependence. In the Pesaran test, the null hypothesis is rejected, indicating the presence of cross-sectional dependency. The Modified Wald test for group-wise heteroscedasticity in the FE regression models is

used to assess the model for heteroscedasticity. Here, homoscedasticity or constant variance is the null hypothesis. The p-value equal to zero indicates that heteroscedasticity is present, and the null hypothesis is rejected (Table 5). The Wooldridge test for autocorrelation in panel data is employed to check for autocorrelation in the model. Here, the null hypothesis states that there is no serial correlation. However, as shown in table 5 the null hypothesis must be rejected because the p-value of 0.0475 indicates the presence of autocorrelation.

Table 5

Diagnostic tests for the fixed effects model

Pesaran test	
Cross-sectional independence	2.648
p-value	0.0081
Modified Wald test	
chi2	2595.14
p-value	0.0000
Wooldridge test	
F(1,7)	5.757
p-value	0.0475

Source: Authors' calculation

We used the robust Driscoll-Kraay standard errors in Model 3 (Table 4) to address this problem since they are not affected by cross-sectional dependence. Following the Driscoll-Kraay regression, standard errors are modified and, for the most part, variable significance increases.

Conclusion

This research provides an empirical analysis based on a panel examination of eleven Southeast European nations to investigate the link between pull factors impacting capital inflows. Inflation, market size (as measured by GDP per capita), real interest rate, trade openness, capital account balance, financial openness, and economic growth are among the independent factors that were examined.

The analysis confirms that the forces of trade liberalization, financial liberalization, evolution of markets, real interest rates and inflation stability are the

elements that encourage capital inflows. On the other hand, the effects of current account balance and real economic growth are not very convincing. It should therefore be understood that global conditions are likely to affect it in line with the economic structures of respective countries, the result of global market forces. In this vein, the current analysis finds the current account balance and capital flow nexus for the SEE region to be negative and statistically insignificant. Such channels are generally feeble or occasionally mediated and thus do not support the assertion that there is no or insignificant relationship between the CACC and capital flows in SEE countries. This is because capital inflows due to investment such as trade liberalization, financial liberalization and market development can still take place in this case even if a country's current account is falling into deficit. In fact, capital flows to the SEE region increase in response to increased trade and financial openness, and income growth, while the capital inflows decrease in response to increased inflation. Meanwhile, the negative GDP growth effect on the capital inflows could imply the rolling of economies, or unsustainable patterns associated with GDP growth in the SEE countries before and after the 2008 crisis. However, in this case, higher rates of economic growth intensified concerns of investors regarding the sustainability of which affected capital inflows.

The interest in investing in Southeastern European countries, which are keen to attract capital inflows within their transformative path to higher capital market development, is driven by their relatively low levels of capital equipment. Additionally, strategies such as trade and financial liberalization, inflation control, and market expansion play a crucial role in drawing investments to the region. Policymakers often strive to attract foreign direct investment by understanding the relationships between interest rates, economic growth, and capital inflows to develop effective economic policies. Therefore, future research should explore the relationship between capital inflows and economic growth by introducing new factors or employing different research methods to determine factors of higher direct investments among the countries in the region. Moreover, examining how governance standards and institutional factors influence capital inflows could offer valuable insights.

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Dejavniki pritegovanja tujega kapitala: Empirični vpogled v transformacijsko dinamiko Jugovzhodne Evrope

Izvleček

Ta študija skuša preučiti dejavnike pritegovanja tujega kapitala (ang. pull factors) z empirično analizo enajstih držav Jugovzhodne Evrope (Albanije, Bosne in Hercegovine, Bolgarije, Hrvaške, Grčije, Črne gore, Severne Makedonije, Kosova, Romunije, Srbije in Turčije) v obdobju 2004–2021. Metodološko študija uporablja regresijski model s fiksnimi učinki (FE) z robustnimi Driscoll-Kraay standardnimi napakami, da bi naslovila težave heteroskedastičnosti, avtokorelacije in morebitne korelacije med državami. V študiji je bilo ugotovljeno, da je več dejavnikov pritegovanja tujega kapitala pomembnih za spodbujanje priliva kapitala, in sicer velikost trga, inflacija ter finančna in trgovinska odprtost. Empirična analiza potrjuje, da so sile trgovinske liberalizacije, finančne liberalizacije, velikosti trga, realne obrestne mere in stabilnost inflacije elementi, ki spodbujajo prilive kapitala. Po drugi strani pa ocenjeni učinki stanja tekočega računa in realne gospodarske rasti na prilive kapitala niso zelo prepričljivi. Poudarjamo, da je potrebnih več raziskav, da bi v celoti razumeli končne makroekonomske posledice dejavnikov pritegovanja tujih investicij na nacionalni ravni. Skupni vpliv teh pozitivnih (ali negativnih) prilivov bi lahko bil moderiran z različnimi značilnostmi, tudi če so lahko nekatere države izredno občutljive na te dejavnike.

Ključne besede: Kapitalski prilivi, dejavniki pritegovanja tujega kapitala, jugovzhodna Evropa, panelna analiza podatkov, Driscoll-Kraay standardne napake