

## Evidence For The Relationship Between Financial Development, Financial Stability and Foreign Direct Investments<sup>1</sup>

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### ABSTRACT

**Purpose** – In this study, the effect of the financial development and financial stability variables on foreign direct investment were investigated for Turkey.

**Design/methodology/approach** – The stationary of the series will be investigated by the ADF unit root test which developed by Dickey and Fuller (1981). And then, series will be examined with Rolling Windows Causality and Parameter Estimation Methods which developed by Balçılar et al. (2010).

**Findings** – Empirical findings suggests that financial stability has a positive effect on the foreign direct investments especially after 2013; coefficient increased over 1 for foreign direct investments in some of the periods.

**Discussion** – It can be understood from here that a 1% increase in financial stability can affect foreign direct investments by more than 1%. On the other hand, the causality relationship between financial development and direct foreign investments is meaningful only for the 2009-2010 periods.

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