

THE IMPACT OF AUDIT AND REPORTING STANDARDS ON FOREIGN INVESTMENT FLOWS - A GLOBAL ANALYSIS

Ioana VINAȘI^{a*}

^{a)} Babeș-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Romania

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Abstract: This article explores the relationship between audit and reporting standards (SARS) and foreign investment flows, particularly focusing on portfolio investments (FPI) and foreign direct investments (FDI). Our descriptive econometric analysis highlights significant regional disparities, with developed regions like Western Europe, North America, and East Asia exhibiting higher SARS, leading to greater investor confidence and a preference for portfolio investments. In contrast, developing regions, such as Africa, Latin America, and South Asia, often have lower SARS, which poses risks for portfolio investors and fosters a reliance on FDI due to perceived stability. The study also examines the implications of GDP per capita and overall GDP growth in relation to foreign portfolio investments. Ultimately, the article underscores the need for policy reforms aimed at enhancing audit and reporting standards in developing regions to attract more foreign investments, thereby fostering economic growth and stability.

Key words: SARS (Strength of Audit and Reporting Standards); Foreign Portfolio Investment (FPI); Foreign Direct Investment (FDI); Audit Standards; Investor Confidence; Economic Development

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* Corresponding author. E-mail address: ioana.ianos@econ.ubbcluj.ro.

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