

[DOI: 10.20472/IAC.2015.019.041](https://doi.org/10.20472/IAC.2015.019.041)

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INVESTMENT DESTINATION DECISION BY USING THE VIKOR METHOD IN THE EUROPEAN UNION COUNTRIES

Abstract:

This study examines the problem to select the most appealing investment destination among the EU countries for Foreign Direct Investment (FDI) inflows after the financial crisis in 2008. From the outbreak of the crisis to the recovery period, the need for companies to increase profits brings about the demand for market expansion and cheap resources.

At this point, FDI as an important element of economic development in a global world requires deeper investigation. In this analysis, its indicators such as macroeconomic conditions, shares of markets in GDP and its growth rate, conditions of labour, natural and capital resources, availability of infrastructure and allocated time for doing business provide a general evaluation about all investment destinations in the EU. However, this general evaluation case is a question of a multi-criteria decision-making problem. The VIKOR (Vise Kriterijumska Optimizacija I Kompromisno Resenje) algorithm is used in order to increase the reliability of evaluation. For, most crucially, unlike other multi-criteria decision making methods, the VIKOR method calculates the acceptable advantage and the acceptable stability of the countries under all the criteria after proposing a compromising solution.

This study intends to introduce VIKOR as a newly developed multi-criteria decision-making method by using FDI indicators for ranking suitable investment destinations and reaching the best one for a four-year time period between 2010 - 2013.

Keywords:

Foreign Direct Investment, Multi-Criteria Decision Making, VIKOR, European Union Countries

JEL Classification: M10, D70