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The impact of foreign direct investment (FDI) on the financial performance of UK firms

DECLARATION



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I, Tanvi Arvindbhai Patel, declare that this dissertation has been composed by myself, that the work contained herein is entirely my own except where explicitly stated otherwise in the text, and that this work has not been submitted for any other degree or qualification, in whole or in part, except as specified. |

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ABSTRACT

This study examines the effect of Foreign Direct Investment (FDI) on the financial performance of firms that are operating in the United Kingdom. The research is focused on the examination of the different dimensions of FDI that lead towards the realization of Financial Success and Sustainable Growth of the organization. The research focused on four major aspects: FDI inflow volume, foreign ownership level, foreign direct investment in capital investment and technology and knowledge transfer.

A quantitative research approach was used, and primary data was gathered by using a structured questionnaire, administered to 100 finance-related employees in more than 100 companies in the UK having foreign investment involvement. Data collected were analysed by Statistical Package for the Social Sciences (SPSS), descriptive statistics, reliability test, validity test and Pearson's correlation analysis. The results showed that all four dimensions of FDI are significantly positively related with financial performance.

One thing proved to be most important for the performance of the companies: technology and knowledge transfer. The study's findings clearly show that FDI has improved profitability, operational efficiency, competitiveness and long-term growth of UK firms and it is of great importance in bringing overall performance improvement to UK firms.

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LIST OF ABBREVIATIONS

FDI – Foreign Direct Investment

UK – United Kingdom

GDP – Gross Domestic Product

SPSS – Statistical Package for the Social Sciences

KMO – Kaiser-Meyer-Olkin

ONS – Office for National Statistics

OLI – Ownership, Location and Internalization

ROA – Return on Assets

ROE – Return on Equity

MNC – Multinational Corporation

IT – Information Technology

HR – Human Resources

PCA – Principal Component Analysis

GLOSSARY

Foreign Direct Investment (FDI)- A company or individual from one nation's resources going into another country's company with the goal of creating a long-term interest and control in its business operations.

Financial Performance- Firms' capacity to make a profit and make an efficient use of their financial resources, usually noted in index measures like profitability, revenue growth, return on assets and overall financial stability.

Foreign Ownership- The percentage of company shares, or equity owned by foreign parties or multinational companies to the extent that they can exercise influence on the company's strategic or operational decisions.

Technology and Knowledge Transfer- The mechanism by which foreign investors supply the advanced technology, managerial capacity, skills, innovation process and business knowledge to domestic companies that increases productivity and competitiveness.

Capital Investment- The investment of funds in a business enterprise for the purchase or improvement of the physical assets used in its operations, including machinery, equipment, buildings and infrastructure.

CHAPTER 01- INTRODUCTION

1.1 Background of the Study

The Foreign Direct Investment (FDI) has a key role in the economic growth process of various nations, mainly due to the intense impact it has causing job creation, technology transfer and the flow of capital into a country. Unfortunately, the FDI in United Kingdom is one of the main factors that has contributed to the growth and development of the economy and industry and has a well-developed financial market and the investment policy is favourable for the development of the FDI in United Kingdom (Othman et al., 2019).

FDI does not only contribute to the national economic level but also to the performance of the firms by increasing their level of operational efficiency, bringing them the latest technology and management procedures. When foreign companies invest in the host countries, they introduce new production methods and management, which positively affect the performance and profitability of local companies (Muharremi et al., 2025).

In the United Kingdom, foreign direct investment has played an important role in fostering productivity and spurring innovation in manufacturing, finance, and technology companies when foreign investors merge with domestic ones. From the previous studies, the location of multinational companies can have a positive impact on the corporate performance, which helps to disseminate knowledge and thereby open access to international markets (Ferraz et al., 2025).

Investment in the United Kingdom (UK) has been a highly favoured destination for foreign investment for a long time, thanks to the country's stable economic climate, robust economic and financial systems and conducive business policies (Othman et al., 2019). The UK's position has remained robust in Europe more recently, with it being home to the second highest number of FDI projects in 2024, after France, but total inflows dropped from £41.3 billion in 2023 to £13.4 billion in 2024 (Office for National Statistics, 2025). Yet, while the downturn appears to have dampened the spirits of investors in the UK, the country is still a major player in the investment landscape—especially in areas like technology, finance, clean energy, and life sciences.

FDI has contributed to the financial performance of firms by enhancing productivity, profitability, and competitiveness through knowledge spillovers and resource inflows (Osuji et al., 2025; Ferraz et al., 2025). Also, the UK's investment scene is still heavily influenced by major investor countries like the United States, Germany and France, which continue to create jobs and stimulate economic growth. Nonetheless, issues like the assessment of FDI under National security and Investment Act 2021, and declining trends of projects, indicate the need to further explore the role of FDI in the performance of the firms in the UK context (Marozva et al., 2025).

1.2 Problem Statement / Research Gap

There have been numerous studies which examined the association between FDI and economic growth, but few studies dealt specifically with FDI on the financial performance of individual companies in the United Kingdom. The prevailing literature mostly concentrates on the macroeconomic implications of FDI and fails to capture the direct impact on the financial performance of FDI recipient firms, including profitability, productivity, and market performance (Osuji et al., 2025).

Furthermore, past research is frequently focussed on countries with emerging or developing economies and relatively few of the studies can offer comprehensive empirical analysis of the developed economy, such as that of the United Kingdom. Therefore, a lack of understanding of the impact of foreign investment on corporate financial performance in developed markets with a high degree of institutional and economic differentiation still exists (Othman et al., 2019).

Furthermore, the rapid globalization of the business world and the growing amount of foreign money capital investments have intensified the competition among companies, and it has become important to check whether foreign direct investment (FDI) acts to improve the performance of the companies or whether it puts competitive pressure on the local companies. In line with this, additional studies are needed to investigate the correlation existing between the inflows of FDI and the financial performance of the UK

firms with the aim of providing new evidence and an improved understanding of the existing current body of scholarly literature (Ferraz et al., 2025).

Although FDI has been shown to be one of the key factors affecting the economy and the performance of firms, a complete understanding of the direct effect of FDI on a firm's financial performance at the sectoral level is still lacking.

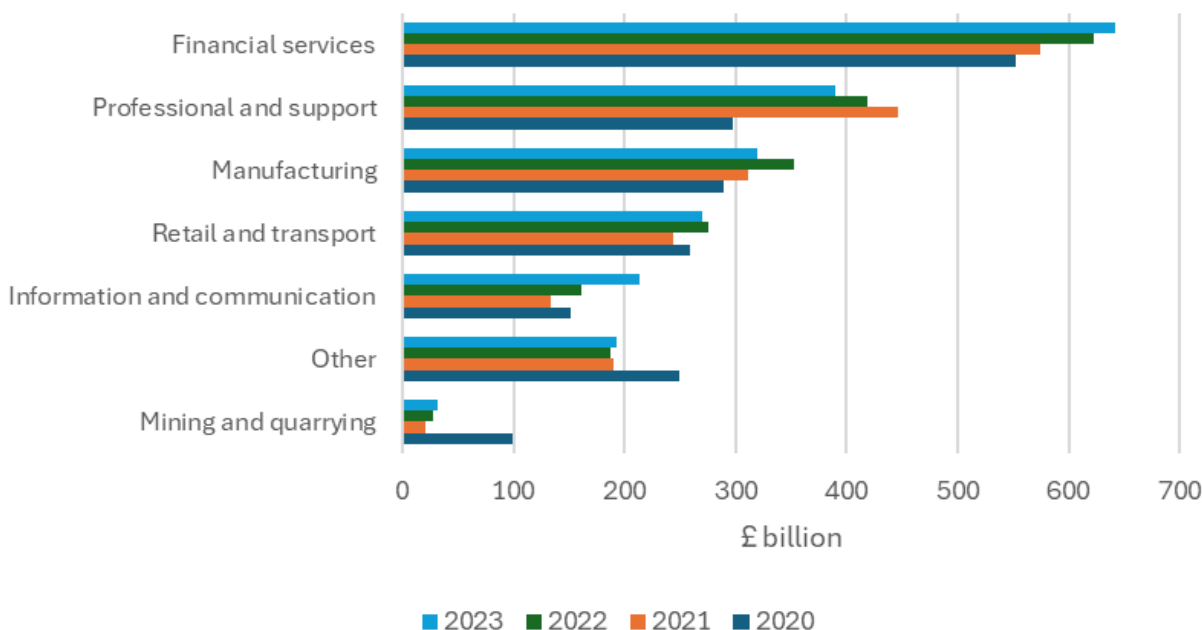


Figure 1: Sector-wise Distribution of Foreign Direct Investment (FDI) in the United Kingdom (2020–2023)

(Source: Office for National Statistics (ONS), UK, 2025)

As shown in Figure 1, FDI flows vary significantly between industries and sectors, with financial services being the top industry for inflows, followed by professional services and manufacturing, whereas lower amounts of FDI flow into mining and information and communication services. This imbalanced allocation is a matter of concern, as it may not be uniform, in respect to translating the benefits of FDI into better financial performance among various sectors.

Much of the literature on FDI has concentrated on the macroeconomic consequences of FDI that include growth, employment creation, and national productivity as opposed to the financial outcomes at the firm level (Osuji et al., 2025; Muharremi et al., 2025). While

certain research indicates FDI can boost profitability, efficiency and competitiveness via the transfer of knowledge and capital inflows, the empirical evidence of the extent to which these benefits differ by industry in the UK is not yet well understood (Ferraz et al., 2025). In addition, the total amount of FDI inflows has been decreasing in recent times, even though the volume of projects has been relatively high, which suggests that there are possible problems of quality-quantity relationship of inflows.

Furthermore, regulatory reforms, including the National Security and Investment Act 2021, might impact the distribution and performance of FDI in sensitive sectors; however, few studies have examined this aspect (Marozva et al., 2025). This study seeks to capture and address this need by looking at the effect of FDI on the financial performance of companies within the UK sectors to deepen the understanding of the relationship between FDI and financial performance of companies in the UK.

1.3 Research Aim

The aim of this study is to examine the impact of foreign direct investment on the financial performance of UK firms.

1.4 Research Objectives

- To identify the level of foreign direct investment (FDI) inflows in the United Kingdom.
- To examine the impact of foreign direct investment (FDI) on the financial performance of UK firms.
- To provide recommendations to enhance the positive impact of FDI on the financial performance of UK firms.

1.5 Research Questions / Hypotheses

1.5.1 Research Questions

- What is the level of foreign direct investment (FDI) inflows in the United Kingdom?
- What is the impact of foreign direct investment (FDI) on the financial performance of UK firms?
- What strategies can enhance the positive impact of foreign direct investment (FDI) on the financial performance of UK firms?

1.5.2 Hypothesis

H1: There is a significant impact of FDI Inflow Volume on the financial performance of UK firms.

H2: There is a significant impact of Foreign Ownership Level on the financial performance of UK firms.

H3: There is a significant impact of Capital investment from foreign firms / physical asset investment on the financial performance of UK firms.

H4: There is a significant impact of Technology and knowledge transfer on the financial performance of UK firms.

1.6 Significance of the Study

The importance of this study is that it adds to the knowledge on the relationship between Foreign Direct Investment (FDI) and the financial performance of UK firms at a more detailed, sector specific level. Most of the research on FDI has concentrated on macroeconomic impact like employment creation and economic growth, and only a handful of studies have empirically explored the direct impact of FDI on the financial performance of firms in the form of their profitability, efficiency, and competitiveness (Osuji et al., 2025; Muharremi et al., 2025). The aim of this research is to fill this gap and present the findings of the benefits gained from FDI inflows by various industries in the UK.

The research results are important for policy makers because they can help them design investment policies to benefit each industry by maximizing FDI benefits. The study has business implications for foreign investments as effective tool to enhance financial performance and strategic business decision making for business managers. Further, investors need to be aware of the areas that show good financial returns from FDI which can help them to make informed investments.

Academically, this study delivers to the currently existing work by connecting the two conceptually FDI and financial performance within a context of the UK, giving the field a more complete picture, backed by more recent empirical evidence (Ferraz et al., 2025).

1.7 Dissertation plan

The dissertation has six chapters, which form a systematic analysis of the research topic. The study is introduced in Chapter One which consists of background, problem statement, research aim, research objectives, research hypotheses and significance of the study. The literature review is presented in Chapter Two and discusses past studies, theory, and research gaps pertaining to Foreign Direct Investments (FDI) and firm financial performance. The research methodology, data collection and analysis using SPSS are described in Chapter Three. Data analysis and results are presented in Chapter Four. The results of the study are detailed in Chapter Five and the recommendations are given in Chapter Six.

CHAPTER 02- LITERATURE REVIEW

2.1. Introduction

This Chapter discusses the relevant literature available on Foreign Direct Investment (FDI) and financial performance in terms of concepts, theoretical background and empirical relationship. It investigates the role of FDI in firm growth, in terms of capital inflows, transferring knowledge, and enhancing managerial practices. It also reviews the relevant theories and research to provide a solid theoretical basis. Moreover, it helps to pinpoint research gaps and formulate a conceptual framework to direct the study of the association between FDI and financial performance of UK firms.

2.2. Theoretical Framework

There are several economic and managerial theory models to explain foreign direct investment and firm performance relationship. The most interesting paradigm is the Eclectic Paradigm (OLI theory) which stipulates that the companies shift to foreign investment if they have ownership, location, and internalisation advantages (Chizema 2025).

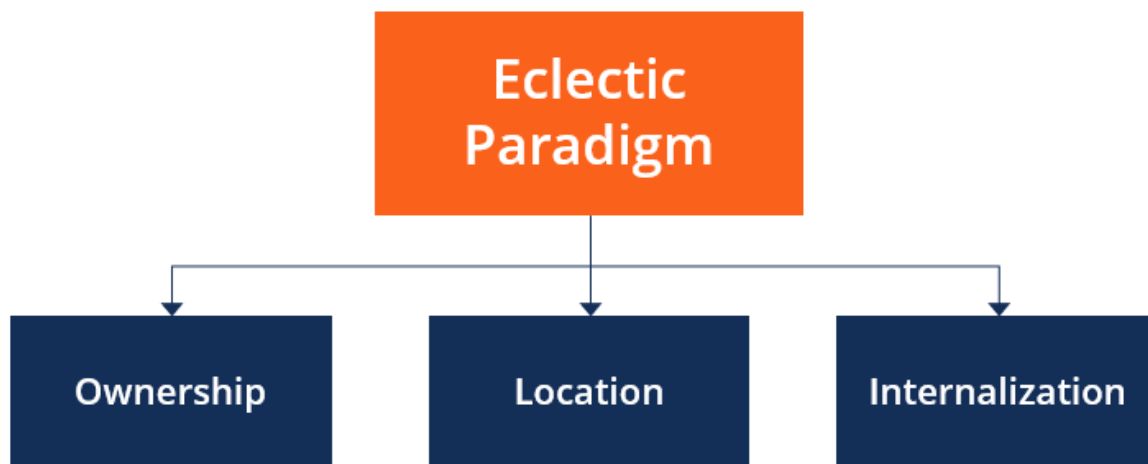


Figure 2: Eclectic Paradigm (OLI theory)

(Source: Fawaz, 2025)

Based on this theoretical approach, multinational corporations invest in the host countries where they can reap the advantages of a favourable economic environment and obtain entry to new markets (Fawaz, 2025). The most prominent models include the Eclectic Paradigm (OLI Theory), which posits that companies undertake FDI when they have Ownership, Location and Internalization advantages (Chizema, 2025). Ownership advantages are those of the firm that include aspects like technology and brand, and location advantages are those offered by the host country such as the market potential and regulatory conditions. The internalization advantages make firms prefer to control their activities within rather than to carry out in partnership with other firms. It is a theory that can be used to account for the fact that MNCs invest in countries such as the UK, where the economic environment is favourable and the infrastructure is well developed, thus providing better firm performance (Almuqrin, 2025).

The Knowledge Spillover Theory is another theory relevant to this study, which discusses the technological diffusion and knowledge transfer of a host country through foreign investment inflow (Utouh et al., 2024). Multinational companies' involvement helps local companies become acquainted with new technologies and management systems, thus increasing productivity and performance (Marozva et al., 2025). Another key framework is the Knowledge Spillover Theory that focuses on the dissemination of knowledge, skills and technology from foreign companies to domestic companies. The process of interaction with multinational companies allows local companies to learn and use advanced production technologies, business management and optimization, as well as technologies developed in other countries, which will improve productivity and profitability (Utouh et al., 2024). Such externalities contribute to the competitiveness and the economy's long-term growth (Ferraz et al., 2025). Further, from financial and economic perspectives, FDI can also help in performance improvement of the firm due to an increase in capital access, decrease the operational inefficiency, and help in expanding the markets internationally (Marozva et al., 2025).

2.3. Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is basically the investment of a company or a person from one country within the business of another country that provides them with sustainable interests and control of a managerial position in the targeted business (Chizema, 2025). The process of economic integration is a significant mechanism of global economic integration, as global knowledge, technology and capital flows are carried out through this process (Marozva et al., 2025). Moreover, it helps multinational companies to set up subsidiaries, joint ventures, or partnerships in host economies, hence helping in their development and increasing their market share (Utouh et al., 2024).

The positive effects of FDI are that it largely contributes to industrialization, productivity and job creation in the host economies (Chizema, 2025) which are one of the key drivers of economic growth. Furthermore, foreign investors are also likely to introduce the new technologies, management and business approach for enhancing operational efficiency of domestic businesses (Fawaz, 2025). As a result, countries enter into the competition of attracting such investors by providing a favourable policy, providing stable economic conditions, and offering appealing incentive packages (Marozva et al., 2025).

FDI is an important tool in boosting the productivity and innovation to improve economic development and industrial growth. It allows the transfer of knowledge, which is the capacity of the domestic firms to acquire advanced technologies and management practices from foreign investors (Herzer, 2026; Ferraz et al., 2025). Besides, FDI can help creating employment and infrastructure for the competitiveness of the host economy (Rahmawati et al., 2026). A second study shows that the level of trade openness and institutional quality play a significant role in attracting and leveraging FDI across various regions (Al Mustofa et al., 2025; Almuqrin, 2025).

2.4. Financial Performance

Financial performance is the ability of a company to generate profits and effectively utilise its resources to meet the goals of the organisation (Khoza, 2025). This is often manifested in a series of financial decisions, such as return on assets, return on equity, profitability,

liquidity, and market value (Jaiswal et al., 2025). Indicators are useful for determining the effectiveness of the management of financial resources and the way that a firm functions in competitive markets (Irshoud et al., 2025).

Business sustainability relies significantly on strong financial performance, as it helps companies sustain themselves, invest in innovation, and put in place competitive advantages (Khoza, 2025). Good financial performance is part of sustainability of the business because it contributes to the expansion of business activities, investment in innovation and competitive advantages of the business (Khoza, 2025). The financial performance is also used as a tool in determining the effectiveness of managerial tactics and operation choices employed in an organization (Jaiswal et al., 2025). Corporate organizations with high financial performance stand in a better position to draw in investors, secure financial resources and realize long term long-term growth (Irshoud et al., 2025).

Key financial indicators like leverage ratios, profitability ratios (return on assets, return on equity), and liquidity ratios are commonly used to evaluate a firm's financial performance and operational efficiency (Jaiswal et al., 2025).

Profitability is one of the most significant dimensions of financial performance, indicating a firm's earning performance in relation to its sales, assets or equity. Research has shown that high profit-making companies tend to have investment opportunities, growth and long-term development (Khoza, 2025). Moreover, liquidity is essential for the ability of the firm to fulfil short-term obligations without any financial distress, and leverage refers to the amount of leverage a firm can obtain from debt financing, which can also affect risk and return (Jaiswal et al., 2025).

Other internal and external factors also affect financial performances. Internal factors consist of management efficiency, cost control and capital structure decisions and external factors comprise macro-economic conditions, competition in the market and regulatory environments (Alaa Mansour et al., 2025). Additionally, globalization and foreign investment, including FDI, can have a profound effect on financial performance, offering access to new markets, technologies and source of funds (Osuji et al., 2025). There has been a growing focus on sustainable financial performance over the last few

years, which involves a company seeking to balance its environmental and social responsibilities with profitability. This underscores the need for long-term value creation, as opposed to short-term monetary gains (Luan et al., 2025).

2.5. Conceptual Framework

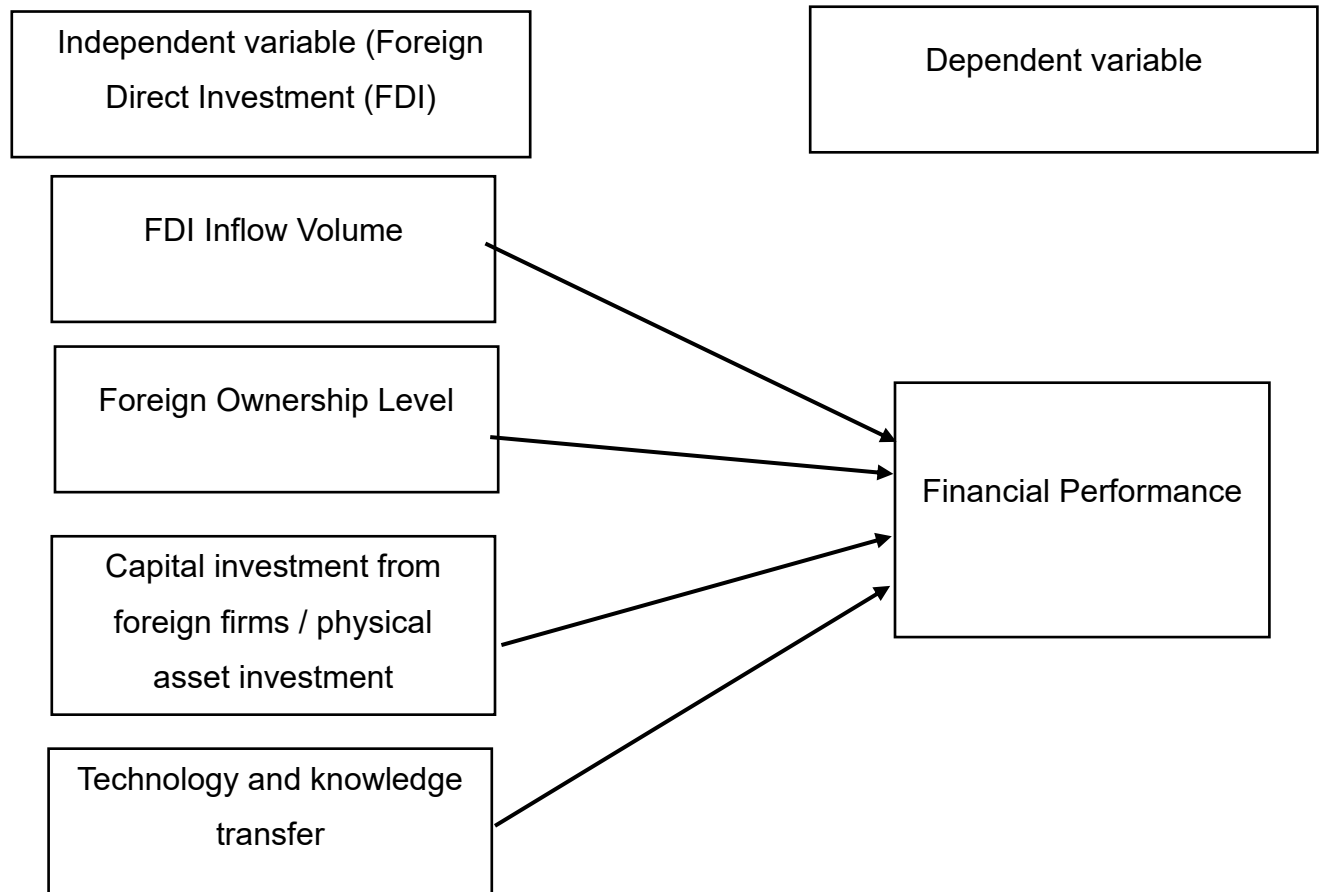


Figure 3: Conceptual Framework

(Source: Author)

2.5.1.FDI Inflow Volume

The number of FDI inflows within a certain time is the FDI inflow volume. One of the most popular indicators to assess the appeal of a country's economy to outside investors and the ability of domestic companies to access external capital. But, within the United

Kingdom, a higher volume of FDI inflow can confer significant benefits on firms in terms of access to finance, expansion opportunities and enhanced market confidence. Foreign investors tend to channel their capital into more productive industries, including finance, manufacturing, technology, and infrastructure, potentially leading to better business performance and corporate growth (Osuji et al., 2025).

Theoretically, according to the Eclectic Paradigm (OLI Theory), multinational companies invest in countries where they get ownership, location and internalisation advantages. The UK offers an appealing destination for inward investment (Othman et al., 2019) thanks to its fully established financial markets, highly educated workforce, and stable institutions. FDI inflows bring firms strategic partnerships, better supply chain, and greater demand for goods and services.

Empirical findings suggest that increased inflows of FDI are likely to boost productivity and corporate profits in those countries that receive the higher inflows. It is established that FDI has a positive impact on industrial development and economic growth (Chizema, 2025), and FDI has the potential to boost competitiveness in European economies (Yeboah et al., 2025). The impact can differ, though, however, of the profit seeking organisations make use of the limited resources. Benefits of FDI may be disproportionately distributed across different industries if it's localized in a limited number of industries.

Importantly, a high volume of inflow is no guarantee of high financial performance. This may dampen the positive impacts of FDI due to external shocks, political instability or lack of firm-level management. Thus, the effect of the volume of FDI inflow on the firms in the UK will be positive, but the effects will vary according to sectoral allocation as well as firms' absorptive capacity.

2.5.2. Foreign Ownership Level

Foreign ownership level is the proportion that foreign investors (or multinationals) own a domestic company's equity. On the other hand, ownership is an important dimension of FDI as it offers foreign investors influence on strategic decisions, governance and long-

term direction of businesses. A higher share of foreign ownership has positive implications on financial performance in UK firms, because it can lead to better management practices, better monitoring systems, and access to international markets. Foreign shareholders can also bring their own ideals of accountability and efficiency, which can enhance operational performance and profitability (Ferraz et al., 2025).

Agency theory contributes to understanding this one in a way of a stronger supervision and performance expectation by the external owners that will help in reducing inefficiencies that may occur on the part of the management. Foreign investors are also likely to be pro-innovative, restructure the company and allocate capital more disciplined. Moreover, network theory argues that foreign owners will be able to link the companies with international supply chains, customers and strategic alliances in turn, enhancing revenue opportunities.

Overall, following empirical research indicates good results. Almuqrin (2025) discovered that foreign investors are drawn to countries that have a good institutional environment and benefits in the location. Similarly, Jaiswal et al. (2025) pointed out that optimal capital structure and strategic ownership can enhance a firm's performance. Multinational companies might also have a relative advantage in financing, technology and export market access.

But there is conflicting evidence as well. Though market reasons may drive foreign investment, excessive foreign ownership might result in profit repatriation, loss of local control and strategic decisions that favour the parent company more than the local stakeholders. There can also be operational issues arising out of cultural differences and governance conflicts. Foreign control may encounter regulatory hurdles, particularly in sensitive industries where national security laws in the UK may apply.

Accordingly, the level of foreign ownership is expected to have a positive impact on the financial performance of the UK companies, although, the magnitude of the impact will vary with the ownership balance, the quality of governance and regulatory compatibility. Foreign ownership of this sector can be beneficial if it is only up to a moderate level and it is strategic.

2.5.3. Capital Investment from Foreign Firms / Physical Asset Investment

Capital investment by foreign firms is the amount of funds which the multinational companies invest in the local companies for increasing production, buying equities, developing infrastructure and acquiring physical assets. This factor is one of the most direct ways that FDI can increase financial performance of the firms. To the UK context, foreign capital investment may enable firms to modernise their operations, to increase their production capacity and to enhance the efficiency, thereby improving their profitability and competitiveness on the market.

The neoclassical investment theory holds that the more capital that is accumulated, the more productive that capital can be and that companies can more easily get better equipment and technology to work with. FDI also enables economies of scale, which result from the production of greater quantities at lower costs. Foreign funded asset investment is not necessarily a disadvantage but could provide a long-term competitive edge for many companies in the UK, including those in manufacturing, logistics, and renewable energy industries (Muharremi et al., 2025).

This relationship is supported by empirical evidence. Marozva et al. (2025) have contended that FDI inflows help in the development of financial markets and in business expansion. In the same vein, Yeboah et al. (2025) reported that inward investment boosts productive capacity in the European economies. Capital investment can also generate jobs and enhance infrastructure and operational resilience. When firms are financed by foreign capital, they tend to generate more revenues and have higher output quality.

When capital investment is not well managed, companies may risk high capital maintenance costs, underutilization of capital or excessive reliance on foreign sources of capital. Also, if investments focus on automation, this might lead to less employment benefits or to opposition from local stakeholders. During periods of economic contraction, returns from major capitalization projects may decrease as well.

Thus, foreign firms' capital investment is expected to have a positive impact on financial performance in terms of efficiency and growth potential. However, for this factor to be

successful, strategic investment decisions, managerial ability and sectoral demands in the UK economy are all vital.

2.5.4. Technology and Knowledge Transfer

Technology and knowledge transfer is the transfer of state-of-the-art technology, managerial skills, innovation capacity, etc. from foreign investors to domestic firms. It is agreed that it is one of the most precious indirect advantages of FDI as it increases long term competitiveness of host country companies. Foreign multinationals firms in the UK may bring innovative technology, scientific capabilities, quality, and new management practices that can help improve company's financial performance.

Domestic firms learn from foreign firms by means of employee mobility, supplier association and interaction, imitation, partnership and competitive pressure. With local companies embracing new technology, and practice, productivity increases and operating costs drop. Enhancing the innovation capability can also assist companies in introducing new products to the market, expanding globally, and adapting to market dynamics (Utouh et al., 2024).

Empirical studies indicate a close relationship between the two. Ferraz et al. (2025) concluded that FDI can boost economic complexity and absorptive capacity via fostering innovation and learning. Chizema (2025) further reported that foreign investment promotes advancement of industries and technological advances. Foreign knowledge transfer could be most relevant for sectors like finance, pharmaceuticals and technology, given that these sectors tend to be more innovative in the UK. However, there are conflicting results. Some companies lack the absorptive capacity to absorb the knowledge when it is imported. Some smaller companies may not have the resources or the people to have advanced systems in place.

2.6. Research Gap

Whilst there is much literature on FDI, there are still some key gaps regarding its influence on the financial performance of UK firms. First, most of the past research have mainly centered on macroeconomic variables like GDP growth, job creations, trade expansion, and national productivity instead of firm level with respect to profitability, efficiency and the shareholder value (Osuji et al., 2025; Othman et al., 2019). This means that there is restricted evidence of the relationship between FDI benefits and corporate financial outcomes.

Relatively few sectoral UK studies are available. Despite obvious disparities between the ways different sectors like finance, manufacturing, technology and retail draw and integrate foreign investment, existing literature has often categorized the economy. The relationship between FDI and performance can be influenced by the sectoral variation, but this remains under-explored (Yeboah et al., 2025). Few studies make comparisons across industries in developed economies, such as the United Kingdom. The last empirical evidence mostly focusses on emerging markets, where institutional conditions vary significantly. Consequently, results from Asia, Africa, or Latin America may not necessarily hold true in the UK, which has more developed capital markets and more stringent regulatory policies (Chizema, 2025; Ferraz et al., 2025).

2.7. Chapter Summary

The literature review section covered extensively the works in FDI and financial performance. It explained about FDI and its significance in the field of economic development, innovation, and firm development. Financial Performance Indicators and its Applications to the Success of a Business was also discussed in the chapter. The analysis of the relation between FDI and firm performance was based on theories like the OLI paradigm and knowledge spillover theory. Empirical studies confirmed the positive impact of FDI on performance and revealed some factors that influence it.

CHAPTER 03- RESEARCH METHODOLOGY

3.1 Introduction

The methodological aspects of analysing the effects of foreign direct investment (FDI) on the financial performance of UK companies are discussed in this chapter. It discusses the research design, research philosophy, research approach, methods, research strategy, sampling procedures, data collection instruments, variable operationalizations and data analysis techniques. A clear methodology ensures reliability, validity and transparency of the findings of the study.

3.2 Research Design (Onion Model)

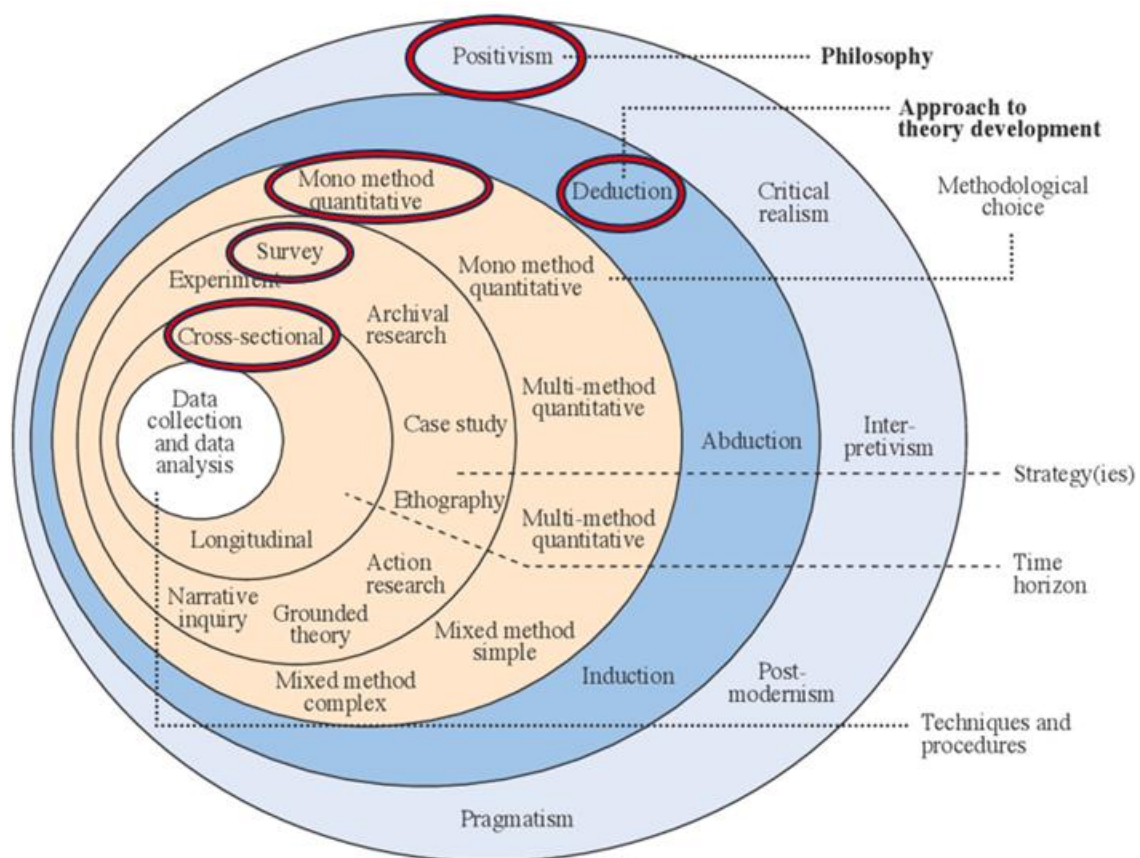


Figure 4:Saunders' Onion Model

(Source: Saunders et al., 2019)

Research onion is a systematic depiction of research methodology for choosing a method step by step. It takes the researcher through philosophy, approach, methodological choice, strategy, time horizon and techniques of data collection and analysis. This is a popular model in the business and management study area as it enhances the logical consistency of objectives and methods. Therefore, it is appropriate to use in the study of FDI and firm financial performance in the context of UK. (Saunders et al., 2019; Tengli, 2020).

3.2.1 Research Philosophy

Research philosophy involves beliefs about the knowing process and what it entails. This study uses the positivist philosophy as the financial performance and FDI can be measured numerically and objectively. The positivist approach facilitates hypothesis testing, statistical analysis and fact-based observation, rather than interpretation. The variables of this study, including FDI inflow volume, the level of FDI ownership, the amount of technology transfer, and profitability can be measured quantitatively, so positivism is very suitable. It also allows for the generalisation of findings from the sample to the wider population of UK companies. Many studies in finance and business employ positivist approaches to analysing measurable economic relationships, using structured surveys and statistical data analysing techniques (Saunders et al., 2019; Gamage, 2020).

3.2.2 Research Approach

In this study, Deductive research approach is used. The process of deduction is started with the existing theories, previous literature, followed by hypothesis development then testing of hypotheses with collected data. The purpose of this research is to provide in-depth analysis to the hypothesis that foreign investment can positively influence the firm's performance, which is supported by previous studies; namely by providing capital, managerial knowledge, innovations and efficiency. These theories lead to the development of a range of hypotheses to formally assess whether the five dimensions of FDI have a significant impact on financial performance of UK firms. The study is deductive

because it will test, validate or invalidate theoretical predictions based on empirical data. It is often utilized in fields such as finance and management studies, where conditions can be defined and variables are measurable, and relationships are tested with statistical analysis (Saunders et al., 2019; Ghazinoory et al., 2025).

3.2.3 Research Method

The research method used is quantitative research. Quantitative methods can be used when it is desired to assess the relationship between variables that can be structured numerically. Questionnaires will be developed and sent to financial employees in UK companies for data collection. The answers will be assessed on a five-point Likert scale. Quantitative methods can be used for descriptive statistics, to make correlation analysis, and to perform regression testing. These methods can help the researcher to determine the degree and strength of relationship among variables of FDI and Financial performance. Large sample quantitative designs are generally accepted in financial studies as these types of studies offer reliable and repeatable findings (Gamage, 2020; Mani, 2024).

3.2.4 Research Strategy

This study employs the survey method, and the survey strategy is selected. Surveys are good sources of standardized information from many respondents in a short period of time and at low cost. Finance staff in UK companies are appropriate respondents as they are knowledgeable about investment operations, shareholders, use of technologies, and the financial results. The questionnaire is made up of yes/no statements that are measured on a Likert scale. The survey strategy allows for objective comparison on the part of the respondents as well as facilitating the statistical coding process. It also enhances anonymity, thereby making it easier for them to be honest. Survey research methods are frequently employed in business research on perceptions and organization outcomes (Saunders et al., 2019; Seuring et al., 2021).

3.2.5 Time Horizon

The time period for this study is cross sectional. A cross-sectional study is one that obtains data at one time but doesn't follow the same individuals over years. It is fitting as the aim here is to measure the existing effect of FDI on financial performance of the firm based on the existing perceptions and experience of finance employees of firms in the UK. A longitudinal design would need the data to be collected multiple times, which would represent a greater time commitment and resource use. The present study is academic in nature and is time-limited, therefore cross-sectional design is practical and efficient. It is widely used in management and finance studies where there is an examination of the relationships between variables within a certain period (Saunders et al., 2019; Melnikovas, 2018).

3.3 Sampling

3.3.1 Population

The target population are employees in the finance sector in UK companies with foreign direct investment (FDI) activities. These can encompass finance managers, accountants, auditors, analysts, treasury officers and investment officers. These workers have information on who owns the company, foreign capital inflows, investments in assets, technology transfer and profitability of the company. The UK is home to many companies with foreign shareholders and/or multi-national operations, including manufacturing, retail, banking, technology and beyond. Thus, choosing finance employees guarantees appropriate and informed response to study's goals (Su et al., 2025).

3.3.2 Sampling Method

In this study, simple random sampling has been used. In this sampling technique, an equal number of chances are given to all the eligible financial workers in the selected firms. This minimizes researcher bias and provides representativeness of sample. Random sampling is appropriate for quantitative studies with the purpose of statistical generalization. An eligible list of employees is provided by participating organizations and

from these respondents are selected at random. This procedure enhances the fairness and reliability of the data collected (Saunders et al., 2019).

3.3.3 Sample Size

The size of the respondents in this study is 100 respondents. This size is deemed to be adequate for a large population at 95% confidence level and 5% margin of error. The larger the sample, the more reliable it is and the more powerful statistical analysis like regression will be. The number of respondents represents 100 which is adequate for firms in the United Kingdom as many of the professionals in the firms are connected to finance. The sample size is a typical size for research related to business and management in which the target population is large (Saunders et al., 2019).

3.4 Data Collection Method

3.4.1 Primary Data

Structured Online Questionnaires will be used to gather primary data. The questionnaire consists of statements, which are measured with a five-point Likert scale, ranging from strongly disagree to strongly agree, and the independent as well as the dependent variables. The delivery via the web is sensible for giving out rapidly to recipients to various businesses in the UK. It also provides confidentiality and assists in automatic response recording. Primary data are useful because they directly relate to the objectives of research and give up to date views of the respondents (Gamage, 2020).

Table 1:Operationalization

Variable	Type	Dimensions / Indicators	Question No	Measurement Scale
FDI Inflow Volume	Independent Variable	Growth in FDI inflows, financial	Q1, Q2	5-Point Likert Scale

		growth, profitability improvement		
Foreign Ownership Level	Independent Variable	Ownership participation, financial decision-making, performance influence	Q3, Q4	5-Point Likert Scale
Capital Investment from Foreign Firms / Physical Asset Investment	Independent Variable	Asset quality improvement, operational efficiency, physical resource development	Q5, Q6	5-Point Likert Scale
Technology and Knowledge Transfer	Independent Variable	Productivity improvement, employee performance, knowledge sharing	Q7, Q8	5-Point Likert Scale
Financial Performance	Dependent Variable	Profitability growth, overall financial improvement	Q9, Q10	5-Point Likert Scale

(Source: Author, 2026)

3.4.2 Secondary Data

Secondary data will be gathered from journals, books, UK government investment reports, company annual reports and international databases. These sources help with theoretical analysis and context on FDI trends and financial performance of enterprises

in the UK. Using secondary sources to develop hypotheses, compare findings and enhance discussion. Research Framework becomes more valid by using the credible academic and institutional sources (Abad-Segura et al., 2020; Mani, 2024).

Table 2: Secondary Data Sources

Source Type	Journal / Publisher	Title	Link	Purpose in Research
Journal Article	Science Direct	Research design unlocked! Roadmapping for integration of paradigms, strategies, and tools	https://www.sciencedirect.com/science/article/pii/S2199853125002239	Used to support research design and methodology framework.
Journal Article	Science Direct	Tracing the evolution of finance research: A topic modeling analysis of AJG-ranked journals	https://www.sciencedirect.com/science/article/pii/S1057521925006465	Used to understand recent trends in finance research.
Journal Article	MDPI	Global Research Trends in Financial Transactions	https://doi.org/10.3390/math8040614	Used to review global financial transaction and investment trends.
Journal Article	ResearchGate	RESEARCH ONION: A SYSTEMATIC APPROACH TO DESIGNING RESEARCH METHODOLOGY	https://www.researchgate.net/publication/357284560_RESEARCH_ONION_A_SYSTEMATIC_APPROACH_TO_DESIGNING_RESEARCH_METHODODOLOGY	Used to justify the research onion model.
Book Source	Pearson	Research Methods for Business Students (8th Edition)	https://www.pearson.com	Used for sampling, data collection, and data analysis guidance.

(Source: Author, 2026)

3.5 Data Analysis

3.5.1 Analysis Tool – SPSS

The Statistical Package for the Social Sciences IBM SPSS Statistics will be used to analyse collected data. SPSS has been used in many academic studies namely for data coding, descriptive analysis, correlation tests and regression analysis. It has sharp outputs for hypothesis testing with user-friendly interfaces. SPSS is suitable for this study as the responses from questionnaires are entered efficiently and analysed professionally. Tremendously is well-liked amongst business and finance areas of study (Saunders et al., 2019).

3.5.2 Descriptive Analysis

Descriptive analysis gives the central trends of the responses from the respondents and their demographic. Use of frequencies, percentages, means and standard deviations will be used. This will assist in comprehending the respondents' characteristics and attitudes about FDI and financial performance. Descriptive analysis techniques give an overview before doing advanced inferential analysis (Gamage, 2020).

3.5.3 Correlation Analysis

Correlation analysis is used to assess the direction and the intensity of the relationship between the independent variables and financial outcome. The study is based on quantitative interval-type data, so of the Pearson correlation will be used. The signs of the coefficients represent positive or negative relationships between variables. The sign of the coefficient shows positive or negative relationships between variables (Saunders et al., 2019).

3.6 Chapter Summary

In the current chapter, we explained methodology adopted in this study to examine mechanism of the influence of foreign direct investment on the financial performance of UK firms. The research onion is adopted in the study, with positivist philosophy, deductive approach, quantitative method, survey strategy and cross-sectional time horizon. Simple random sampling is used, and 384 people are randomly sampled. The data collection technique used includes primary and secondary data approach and SPSS platform is used for descriptive, correlation, and regression analysis. These method choices make the study systematic, reliable and in line with the study objectives.

CHAPTER 04- DATA ANALYSIS

4.1 Introduction

This chapter explains the analysis and interpretation of the data gathered to investigate the effect of Foreign Direct Investment (FDI) on financial performance of the UK firms. Data was gathered from 100 respondents from among the finance related employees of the companies with foreign participation in the UK. FDI inflow volume, foreign ownership level, foreign companies' capital investment and technology and knowledge transfer were identified as the key independent variables and financial performance was deemed as the dependent variable.

For the purposes of reliable data interpretation to ensure data were analysed using statistical techniques. The chapter starts with the presentation of an overview and the respondent profile and then presents the demographic information. The results of the analysis aid in determining if the respondents selected were representative of the target population and if the data collected can be further tested using statistical analysis. The results are valuable in offering some understanding on the financial performance of the firms that operate in the United Kingdom due to their FDI relationships.

4.2 Overview of the Dataset / Sample Profile

The study sample comprised of 100 respondents who were employed in finance-related roles in the finance companies of the United Kingdom with foreign direct investment involvement. Respondents were finance managers, accountants, analysts, treasury staff and investment officers as well as other finance professionals. Finance-related employees were used for the following reasons: the employees would have direct knowledge of foreign ownership, foreign capital inflows, investment activities, technology transfer and organizational financial performance.

Simple random sampling was used to minimize bias of the researcher and fair selection of respondents. The respondents sample in the quantitative study of 100 was deemed to

be sufficient to represent the study by using the statistical analysis of regression and correlation analysis.

4.2.1 Data Collection Summary

Response rate

Case Processing Summary						
	Valid		Cases Missing		Total	
	N	Percent	N	Percent	N	Percent
FDI Inflow Volume	100	100.0%	0	0.0%	100	100.0%
Foreign Ownership Level	100	100.0%	0	0.0%	100	100.0%
Capital Investment from Foreign Firms / Physical Asset Investment	100	100.0%	0	0.0%	100	100.0%
Technology and Knowledge Transfer	100	100.0%	0	0.0%	100	100.0%
Financial Performance	100	100.0%	0	0.0%	100	100.0%

Table 3: Response rate

Case processing summary refers to the fact that all the questionnaires have been completed successfully as there is no missing item response for the 100 questionnaires. Data on each research variable was obtained with 100 valid responses, therefore the return rate is 100% for all the research variables such as FDI Inflow Volume, Foreign Ownership Level, Capital Investment from Foreign Firms, Technology and Knowledge Transfer, Financial Performance. The data set did not contain any missing values.

The outcome is a very high response rate and high-quality data. No missing data leads to improved reliability and accuracy in the statistical analysis. It also shows that respondents had a good understanding of the items in the questionnaire and that there was good information given for all the variables presented in the study. Hence, the data set has been found appropriate for further analysis and interpretation on the effect of FDI on the financial performance of UK firms.

4.2.2 Demographic Profile of Respondents

Gender

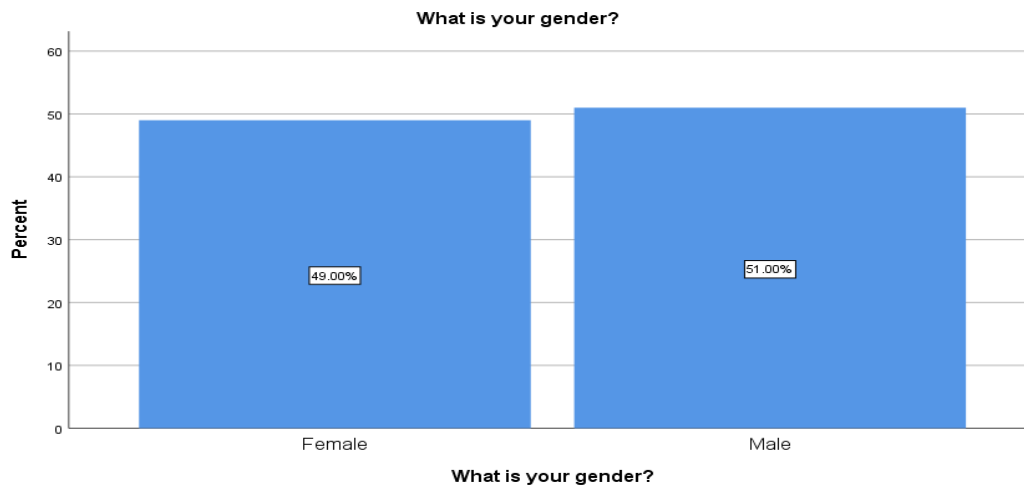


Figure 5: Gender

Gender distribution of the respondents indicates that 51% of the respondents were male and the 49% were female. This means that the sample was fairly well-balanced composition in terms of male and female representation. The even split enhances the representativeness of the study as opinions were captured from males and females alike who work within UK firms, and specifically in the finance industry.

Age Group Distribution

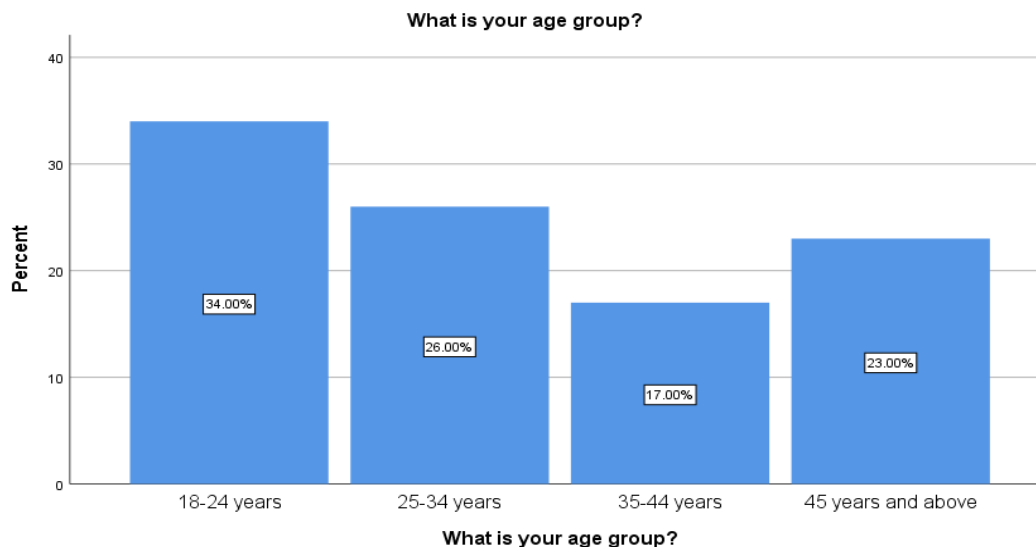


Figure 6:Age Group Distribution

As per the age group analysis, 18-24 years category had the highest proportion of respondents (34%). The ages 25-34 years accounted for 26% of the sample with 23% being 45 years and older. Minimal number (17%) of respondents were the 35 to 44 age group. The results show a significant number of respondents were younger professional finance industry employees within UK based organisations.

Educational Qualification Distribution

What is your highest educational qualification?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1.0	1.0	1.0
Bachelor's Degree	20	20.0	20.0	21.0
Diploma	20	20.0	20.0	41.0
Master's Degree	20	20.0	20.0	61.0
Other	19	19.0	19.0	80.0
Professional Qualification	20	20.0	20.0	100.0
Total	100	100.0	100.0	

Table 4: Educational Qualification Distribution

The educational qualification results reveal that the respondents were well educated. 20% of the respondents held a Bachelor's Degree, 20% had a Diploma, 20% had a Master's Degree, and 20% had a Professional Qualification. Plus, 19% of respondents chose the "Other" option and 1% of responses were not provided or not specified.

Job Function Distribution

What is your current job function?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1.0	1.0	1.0
Administration	12	12.0	12.0	13.0
Finance / Accounting	13	13.0	13.0	26.0
Human Resources	12	12.0	12.0	38.0

Investment / Treasury	13	13.0	13.0	51.0
IT / Technology	12	12.0	12.0	63.0
Marketing / Sales	12	12.0	12.0	75.0
Operations	13	13.0	13.0	88.0
Other	12	12.0	12.0	100.0
Total	100	100.0	100.0	

Table 5: Job Function Distribution

Most of the respondents (24) were selected from a broad spectrum of organizational departments as suggested by the current job distribution. One-third, or 13%, of the sample was in each of the categories of Finance / Accounting, Investment / Treasury or Operations. Other categories (12%), Marketing / Sales (12%), IT / Technology (12%), Human Resources (12%) and Administration (12%) were the other response categories. Also, 1% of the answers were not further specified.

Monthly Income Distribution

What is your monthly income range?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1.0	1.0	1.0
£2,001–£4,000	25	25.0	25.0	26.0
£4,001–£6,000	25	25.0	25.0	51.0
Above £6,000	24	24.0	24.0	75.0
Below £2,000	25	25.0	25.0	100.0
Total	100	100.0	100.0	

Table 6: Monthly Income Distribution

The distribution of respondents' monthly income was fairly even. 25% of the respondents reported earnings between £2,001 and £4,000 and another 25% between £4,001 and £6,000. Those reporting a salary of less than £2000 accounted for 25% and those over £6000 24%. In addition 1% were not reported.

4.3 Data Preparation and Screening

4.3.1 Data Cleaning

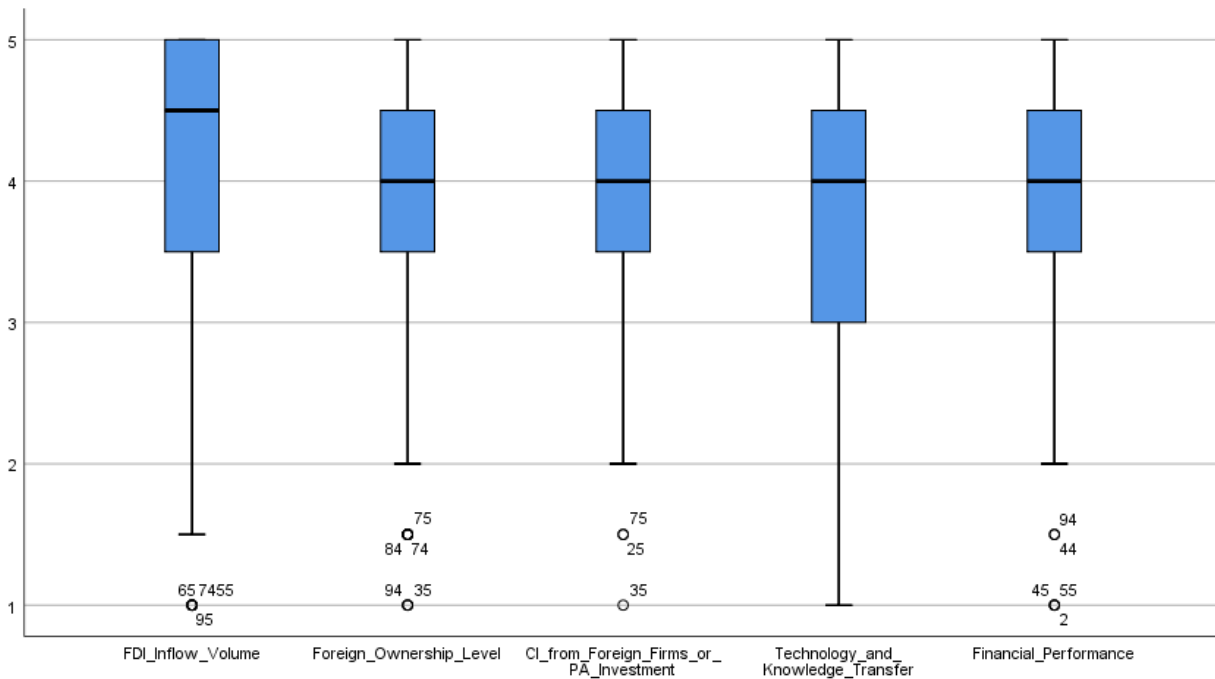


Figure 7: Data Cleaning

The data was cleaned prior to the main statistical analysis to guarantee the accuracy and reliability of the data. The boxplot analysis indicates that all variables: FDI Inflow Volume, Foreign Ownership Level, Capital Investment, Technology and Knowledge Transfer, and Financial Performance had response distributions primarily within the ranges of 3-5 scale values. Several variables identified a few outliers, mainly at the low response end. But these outliers were not removed as they were indeed a true representative of the respondent's opinion. There were no missing values, the data set was complete and was suitable for further statistical analysis.

4.3.2 Reliability and Validity Testing

Cronbach's Alpha

Variable	Cronbach's alpha value
----------	------------------------

FDI Inflow Volume	0.875
Foreign Ownership Level	0.831
Capital Investment from Foreign Firms / Physical Asset Investment	0.834
Technology and Knowledge Transfer	0.877
Financial Performance	0.899

Table 7: Cronbach's Alpha

The internal consistency and reliability of the research variables was assessed using Cronbach's Alpha. Results show all variables had a value of Cronbach's Alpha above 0.80 which was considered high reliability. The alpha values for FDI Inflow Volume were 0.875, Foreign Ownership Level was 0.831, Capital Investment from Foreign Firms was 0.834 and Technology and Knowledge Transfer had 0.877. The financial performance had the highest reliability value (0.899). Normally, alpha values greater than 0.70 are considered reliable. Thus, all constructs were highly reliable, and the items in the questionnaire consistently measured the desired concepts involving FDI and financial performance.

Validity- KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.893
Bartlett's Test of Sphericity	Approx. Chi-Square	500.052
	df	10
	Sig.	.000

Total Variance Explained						
Component	Total	Initial Eigenvalues		Extraction Sums of Squared Loadings		
		% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.190	83.805	83.805	4.190	83.805	83.805
2	.275	5.495	89.300			
3	.240	4.805	94.106			
4	.185	3.697	97.803			
5	.110	2.197	100.000			

Extraction Method: Principal Component Analysis.

Table 8:KMO and Bartlett's Test

To assess the suitability of the data for factor analysis, Kaiser-Meyer-Olkin (KMO) and Bartlett's Test were performed. KMO value is 0.893 which is excellent as a value > 0.80 is highly acceptable. This indicated that the obtained sample was suitable for factor analysis. Using Bartlett's Test of Sphericity, the value of Chi-Square was 500.052 and a significance level of 0.000, which is below the 0.05 acceptable level. This is an indication that there was significant relationship between the variables. Accordingly, the results showed that the data set was statistically appropriate and was valid for subsequent factor analysis and multivariate statistical testing.

4.4 Analytical Approach

4.4.1 Software Used

The Statistical Package for Social Sciences (SPSS) was used to analyse the collected data in this study. Business and Management researchers prefer to use SPSS due to its efficient and accurate nature in analysing quantitative data and giving interpretation. Descriptive statistics, reliability testing, validity analysis, correlation analysis and regression analysis were conducted using the software. The SPSS was also used effectively in organizing, cleaning and summarizing the data. The analysis process was more accurate and efficient in the application of SPSS. Moreover, it allowed the researcher to produce tables, statistical output, as well as graphical presentations that facilitated the interpretation of the relationship between financial performance and the factors of FDI in UK firms.

4.5 Descriptive Analysis of Variables

4.5.1 Independent Variable 1

Descriptive Statistics			
	N	Mean	Std. Deviation
FDI Inflow Volume [The increase in FDI inflow volume has improved our firm's financial growth.]	100	3.92	1.300

FDI Inflow Volume [Higher levels of foreign direct investment have strengthened our company's profitability.]	100	3.80	1.341
Valid N (listwise)	100		

Table 9: Descriptive Analysis of Independent Variable 1

The descriptive data for FDI Inflow Volume show positive perceptions of respondents about the effect of foreign direct investment on financial growth and profitability. The mean for the statement the increase in FDI inflow volume has improved our firm financial growth is 3.92, the standard deviation for the statement is 1.300. In the same manner, higher levels of foreign direct investment strengthening company profitability had a mean value of 3.80 and a standard deviation of 1.341. Above 3.5 refers to a general agreement between respondents. The standard deviations are relatively moderate indicating potentially moderate disagreement, although generally the respondents felt that increased FDI inflows have a positive impact on the organization's financial performance.

4.5.2 Independent Variable 2

Descriptive Statistics			
	N	Mean	Std. Deviation
Foreign Ownership Level [A higher level of foreign ownership has improved financial decision-making in our firm.]	100	3.73	1.246
Foreign Ownership Level [Foreign ownership participation has positively influenced our company's financial performance.]	100	3.78	1.160
Valid N (listwise)	100		

Table 10: Descriptive Analysis of Independent Variable 2

The descriptive statistics for Foreign Ownership Level indicated that, overall, those who responded believed that foreign ownership positively affects the financial performance and decision-making process of firms in the UK. The mean was found to be the improved financial decision making with a value of 3.73 and a standard deviation of 1.246. The second statement "Foreign ownership participation has positively affected financial performance" had a mean value of 3.78 with a standard deviation of 1.160. Values higher

than the neutral value represent positive attitudes towards the involvement of foreign ownership. Furthermore, the moderate standard deviations suggest good level of consistency in answers. This implies that respondents feel that foreign ownership is beneficial to financial management and overall performance of enterprises.

4.5.3 Independent Variable 3

Descriptive Statistics			
	N	Mean	Std. Deviation
Capital Investment from Foreign Firms / Physical Asset Investment [Capital investment from foreign firms has improved the quality of physical assets in our company.]	100	3.88	1.018
Capital Investment from Foreign Firms / Physical Asset Investment [Foreign-funded physical asset investments have increased our company's operational efficiency.]	100	3.77	1.109
Valid N (listwise)	100		

Table 11: Descriptive Analysis of Independent Variable 3

Descriptive analysis of Capital Investment from Foreign Firms reveals positive perceptions on foreign funded capital investment in the quality of physical assets and efficiency of operations. A mean value of 3.88 and a standard deviation of 1.018 was noted for the statement to improve the quality of physical assets. In contrast, the mean value of the statement related to efficiency gains that have been realized due to foreign investment financed physical asset investment was 3.77, the standard deviation value was 1.109. The relatively high mean values suggest that the respondents had a positive tendency towards the positive impacts of foreign capital investment. In addition, standard deviation values were lower which indicate more uniformity of response representing that the respondents had homogeneous opinion about the importance of foreign investment in the improvement of organization operations.

4.5.4 Independent Variable 4

Descriptive Statistics			
	N	Mean	Std. Deviation
Technology and Knowledge Transfer [Technology transfer from foreign investors has improved our firm's productivity.]	100	3.75	1.209
Technology and Knowledge Transfer [Knowledge sharing from foreign investors has enhanced employee performance in our company.]	100	3.61	1.294
Valid N (listwise)	100		

Table 12: Descriptive Analysis of Independent Variable 4

As for the descriptive data on Technology and Knowledge Transfer, the respondents found that foreign investors have positive impact in terms of productivity and employees' performance. The technology transfer improving firm productivity mean value was 3.75 and standard deviation of 1.209. Likewise, the knowledge sharing is related to improve employee performance had a mean of 3,61 s.d. of 1,294. The averages above 3.5 indicate a consensus among the respondents on the advantages of technology and knowledge transfer from foreign investors. The relative higher standard deviation values, however, indicate that there are a few differences in respondents' opinions. The overall result suggests that technology and knowledge transfer are beneficial to the organizational capability and the employee's performance.

4.5.5 Dependent Variable

Descriptive Statistics			
	N	Mean	Std. Deviation
Financial Performance [Our company has achieved higher profitability over the past years.]	100	3.79	1.140
Financial Performance [The overall financial performance of our company has improved significantly.]	100	3.91	1.173
Valid N (listwise)	100		

Table 13: Descriptive Analysis of Dependent Variable

The descriptive statistic for Financial Performance shows good perceptions about the financial improvement of firms in recent years. The value for the statement “Our company has become more profitable in the last years” is [3.79, 1.140]. Further, the mean of the statement significant improvement in overall financial performance was 3.91 and the standard deviation was 1.173. The mean scores near 4 suggest that the respondents overall agreed with the financial impacts within their companies. The standard deviations were moderate, indicating some consistency of response among participants. The results showed, however, that the majority of the respondents felt that their companies' profitability and financial performances was better, which may be due to the foreign direct investment activities.

4.6 Inferential Analysis Findings

4.6.1 Hypothesis Testing 1- Impact of FDI Inflow Volume on the financial performance of UK firms.

Correlations		Financial Performance	FDI Inflow Volume
Financial Performance	Pearson Correlation	1	.805**
	Sig. (2-tailed)		.000
	N	100	100
FDI Inflow Volume	Pearson Correlation	.805**	1
	Sig. (2-tailed)	.000	
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

Table 14: Correlation Analysis Hypothesis Testing 1

H1: There is a significant impact of FDI Inflow Volume on the financial performance of UK firms.

H0: There is not a significant impact of FDI Inflow Volume on the financial performance of UK firms.

A Pearson correlation analysis was carried out to explore the relationship between FDI Inflow Volume with financial performance of UK firms. The outcome reveals a high positive

correlation coefficient ($r = 0.805$) of the correlation between the two variables. The significance value ($p = 0.000$) is less than the accepted value (0.05) and shows that there is a relation between them. This indicates that the financial performance of the firms in the UK has improved with the increase in FDI inflow. Since the correlation is significant at the 0.01 level, the alternative hypothesis (H_1) is accepted, while the null hypothesis (H_0) is rejected. Thus, a higher level of FDI inflows into the UK is seen to have a positive effect upon the financial indicators of the UK's business firms.

4.6.2 Hypothesis Testing 2- Impact of Foreign Ownership Level on the financial performance of UK firms.

Correlations		Financial Performance	Foreign Ownership Level
Financial Performance	Pearson Correlation	1	.795**
	Sig. (2-tailed)		.000
	N	100	100
Foreign Ownership Level	Pearson Correlation	.795**	1
	Sig. (2-tailed)	.000	
	N	100	100

** Correlation is significant at the 0.01 level (2-tailed).

Table 15: Correlation Analysis Hypothesis Testing 2

H_2 : There is a significant impact of Foreign Ownership Level on the financial performance of UK firms.

H_0 : There is not a significant impact of Foreign Ownership Level on the financial performance of UK firms.

Foreign Ownership Level and the financial performance of UK firms have been correlated using Pearson correlation analysis. The results show that there exists a good positive correlation between foreign ownership and financial performance with the value of $R^2 = 0.795$. The significance value of " 0.000 " is lower than the acceptable value of " 0.05 " which indicates the relationship is statistically significant. The result implies that the better the

financial performance of the companies, the greater the degree of foreign ownership. The finding is also attractive in terms of the positive impact foreign ownership has on the profitability of organizations and decision-making efficacy. So, the alternative hypothesis, (H2), is accepted and the null hypothesis, (H0), is rejected. As such, the level of foreign ownership is important in determining UK firm financial performance.

4.6.3 Hypothesis Testing 3- Impact of Capital investment from foreign firms / physical asset investment on the financial performance of UK firms.

Correlations		Financial Performance	Capital Investment from Foreign Firms / Physical Asset Investment
Financial Performance	Pearson Correlation	1	.736**
	Sig. (2-tailed)		.000
	N	100	100
Capital Investment from Foreign Firms / Physical Asset Investment	Pearson Correlation	.736**	1
	Sig. (2-tailed)	.000	
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

Table 16: Correlation Analysis Hypothesis Testing 3

H3: There is a significant impact of Capital investment from foreign firms / physical asset investment on the financial performance of UK firms.

H0: There is not a significant impact of Capital investment from foreign firms / physical asset investment on the financial performance of UK firms.

Pearson correlation analysis was used to determine the correlation between Capital Investment from Foreign Firms and the financial performance of UK firms. The result illustrates a positive correlation coefficient of 0.736 having a strong positive correlation between the variables. The significance value obtained was $0.000 < 0.05$, thus statistically significant. This implies that investments of foreign capital in physical assets and infrastructure are beneficial for efficiency in the operation and profitability of an

organization. Higher investment inflow is associated with better financial performance, indicating that firms that attract more foreign capital investment will be more successful. Therefore, alternative hypothesis (H3) is accepted, and null hypothesis (H0) is rejected. Therefore, the foreign companies' capital investment has a major impact on the financial performance.

4.6.4 Hypothesis Testing 4- Impact of Technology and knowledge transfer on the financial performance of UK firms.

Correlations		Financial Performance	Technology and Knowledge Transfer
Financial Performance	Pearson Correlation	1	.820**
	Sig. (2-tailed)		.000
	N	100	100
Technology and Knowledge Transfer	Pearson Correlation	.820**	1
	Sig. (2-tailed)	.000	
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

Table 17: Correlation Analysis Hypothesis Testing 4

H4: There is a significant impact of Technology and knowledge transfer on the financial performance of UK firms.

H0: There is not a significant impact of Technology and knowledge transfer on the financial performance of UK firms.

To explore the relationship between Technology and Knowledge Transfer and financial performance of UK firms Pearson correlation analysis was performed. The results show that the positive correlation coefficient is very high (0.820) as the highest one among all the independent variables tested in this study. The p value is < .05 and is statistically significant as the value is 0.000. Indeed, this discovery indicates that technology transfer and knowledge sharing from foreign investors have strong effects on the improvement of organizational productivity and organizational financial performance. So, the alternative

hypothesis (H4) is accepted, and the null hypothesis (H0) is rejected. Thus, technology and knowledge transfer have a strong effect on the performance of the UK firms in financial terms.

Table 18: Hypothesis summary

Hypothesis	Independent Variable	Pearson Correlation (r)	Sig. Value (p)	Relationship Strength	Decision
H1	FDI Inflow Volume	0.805	0.000	Strong Positive	Accepted
H2	Foreign Ownership Level	0.795	0.000	Strong Positive	Accepted
H3	Capital Investment from Foreign Firms / Physical Asset Investment	0.736	0.000	Strong Positive	Accepted
H4	Technology and Knowledge Transfer	0.820	0.000	Very Strong Positive	Accepted

(Source: Author, 2026)

4.7 Summary of Key Findings

4.7.1. Impact of FDI Inflow Volume on the financial performance of UK firms

Based on the results of hypothesis 1, it has been found that the financial performance of UK companies has a strong and significant positive relationship with FDI Inflow Volume. The Pearson correlation coefficient of 0.805 indicates that there is a close relationship between the increase in foreign direct investment inflows and profitability as well as financial growth. The majority of respondents felt that foreign capital inflows are beneficial for the performance of a firm because they boost the firm's financial resources, increase its operations and help the firm to grow. The statistical importance of the relationship is further confirmed with the significance value of 0.000. The results indicate that the UK's businesses are financially better off if there is more FDI. Hence, FDI inflows are crucial

for improving the financial performance of organizations and their competitive advantage in the UK business environment.

4.7.2. Impact of Foreign Ownership Level on the financial performance of UK firms

Results from Hypothesis 2 indicate that Financial Performance is indeed significant for foreign ownership level in the UK firms. The correlation coefficient value of 0.795 shows a strong positive relationship between the foreign ownership participation and firms' profitability. The respondents felt foreign ownership helps in financial decision making, management efficiency, and strategic business operations. The significance value is 0.000, which means that the relationship is statistically significant. The findings indicate that foreign ownership can help companies with the acquisition of international skills and knowledge, with better governance and with more financial resources which can positively impact on the companies' performance. Overall, the study finds that foreign ownership is linked to better financial performance and significant in enhancing the sustainability and competitiveness of UK companies.

4.7.3. Impact of Capital investment from foreign firms / physical asset investment on the financial performance of UK firms

The findings related to Hypothesis 3 show that Capital Investment from Foreign Firms has a significant positive impact on the financial performance of UK firms. The significant positive correlation between foreign-funded physical asset investment and financial outcomes has a coefficient of 0.736. The respondents stated that foreign investments have the impact of improving the quality of the physical assets, increase the efficiency of operation and enhance business productivity. The significance value is 0.000, which is well below the 0.05 threshold, indicating that the correlation is statistically significant. The findings indicate that the companies with higher foreign capital investment have a more favourable position to enhance operational processes and profitability. So investments in machines, facilities and physical assets by overseas enterprises are crucial to the financial health, and future growth, of UK businesses.

4.7.4. Hypothesis Testing 4- Impact of Technology and knowledge transfer on the financial performance of UK firms

The results for Hypothesis 4 suggest that, among the independent variables tested in this study, the variable Technology and Knowledge Transfer is the most important influence on financial performance of UK firms. The very strong positive relationship between technology transfer and financial performance is shown by the Pearson correlation coefficient of 0.820. It was generally agreed that foreign investors bring about improved technologies, innovation and knowledge-sharing practices to the organization and thus improve their productivity. The significance value (Sig.) of 0.000 indicates that the relationship is statistically significant. The results show that companies with foreign technological support and employees' knowledge building get better operational performance and profitability. Hence, technology and knowledge transfer are important to improve the competitiveness and financial success of UK companies.

4.8 Chapter Summary

The chapter discussed the analysis and interpretation of the data gathered, which were focused on the effect of foreign direct investment on the financial performance of UK companies. This chapter started with an overview of the data and a profile of the respondents. Data preparation, cleaning, data reliability and data validity testing showed that the statistical analysis could be conducted on the data. The descriptive statistics indicated that overall, positive perceptions of the respondents were found in terms of the volume of inward FDI, foreign ownership, capital investment, technology transfer, and financial performance.

Pearson correlation was used to determine the relationship between the independent variables and financial performance, which was found to be highly positive and statistically significant. Of the variables, the strongest was found to be technology and knowledge transfer in relation to financial performance. Overall, the results validated that

FDI benefits the financial performance of the UK firms through financial inflows, ownership shares, capital investment and technological improvement.

4.9 Limitations Encountered During Data Analysis

The study was restricted to only 100 respondents which may not adequately represent all the finance related employees of the UK firms having foreign investment involved. Secondly, data were self-reported questionnaires which may be affected by respondent bias or personal opinions. Third, the study adopted a cross-sectional research design, thus it only collected data at a specific time and did not measure the changes in financial performance over time. Moreover, there might exist limited knowledge about organizational FDI activities among some of the respondents.

CHAPTER 05- DISCUSSION

5.1 Introduction

The effect of foreign direct investment (FDI) on these UK company's financial performance was discussed. They were particularly interested in the effects on a firm's financial performance of three different aspects of foreign direct investment: the quantity of foreign investment, the level of foreign ownership, and foreign capital investment as well as transfer of technology and knowledge into the firm. The findings indicated that all the indicators of FDI were positively related to financial performance with significant relationships. This discussion chapter aims to discuss and interpret the study's findings by comparing them to the literature and explain the significance of the study and its contribution towards the literature gap on the financial performance outcome of FDI at the firm level in the UK.

5.2 Discussion of FDI Inflow Volume and Financial Performance

The study results showed that the financial performance of companies in the United Kingdom with FDI inflows had a positive relationship, with a coefficient of correlation 0.805. This suggests higher FDI inflows are linked positively with higher profitability, increased revenue growth, operational efficiency, and overall organizational performance.

The result is in line with the previous literature stressing the positive contribution of FDI to economic and business development. Osuji et al. (2025) revealed that FDI inflows have a positive impact on economic growth in the United Kingdom, as they help to boost the availability of capital, productivity, and competitiveness for businesses. Likewise, Muharremi et al. (2025) found that FDI is a key contributor to sustainable development of the economy by bringing financial capital, access to markets and investment opportunities. The present finding on the positive relationship between improvement in financial outcomes within firms and increased FDI inflows is supported by these studies, which found that higher levels of FDI investment led to higher levels of investment and available resources within firms.

Similarly, Yeboah et al. (2025) asserted that FDI is important for economic development in European economies and organizational competitiveness through enhancing productive capacity and business expansion. The argument that the present study found that there was positive relationship between foreign investment and the financial resources of UK companies is supported by the findings of the study and the fact that the UK's firms with higher foreign investment seem to enjoy better market opportunities and better financial resources.

But there are some discrepancies found between the present findings and previous studies. The majority of existing studies either have concentrated on macro-economic factors like GDP growth, industrial development, and national competitiveness or on the direct performance of firms. FDI is studied in a country's context of economic development, for instance, Chizema (2025) studied the role of FDI in economic development of south and southeast Asian countries concentrating on the national economic indicators rather than the result of any individual organisation. The present study, however, offers evidence at the firm level, showing the direct effect of FDI inflows on financial performance in the UK firms (Chizema, 2025).

A second distinction has to do with contextual factors. Marozva et al. (2025) discovered that uncertainty in financial markets may mitigate the positive impact of inflows of foreign direct investment because the investment risk will increase. But there was a good positive correlation even as the world economy remains uncertain, in the current study. This disparity could be attributed to the robustness of the UK companies and the relatively well-developed institutional environment of the UK business environment, which facilitates firms to make more effective use of foreign investment (Marozva et al., 2025).

5.3 Discussion of Foreign Ownership Level and Financial Performance

The second hypothesis showed that there was a strong positive relationship between level of foreign ownership and financial performance with the correlation coefficient of 0.795. This means that companies that have a higher foreign ownership percentage perform better than companies with a lower foreign ownership percentage.

The results are in line with previous studies, which indicate the strategic advantages of foreign ownership. Othman et al., (2019) have suggested that foreign investors make not only financial resources available but also managerial expertise, knowledge of international business networks, and governance improvements. These contributions improve effectiveness through the organization and help in the sustainable success in terms of finances. The present study agrees in the sense that, firms that possessed higher foreign ownership showed a better financial performance. (Othman et al., 2019).

Likewise, Ferraz et al. (2025) revealed that foreign investment is associated with organizational development when the businesses have enough absorptive capacity to utilize external knowledge and resources. Their results indicate that foreign investment helps firms gain access to international expertise and innovation, thus enhancing the competitiveness and profitability of the firms. This positive correlation found in the present study is related to these benefits in the firms of the United Kingdom (Ferraz et al., 2025).

Another similarity between the two can be seen with Al Mustofa et al. (2025), who found that foreign investment boosts financial development and organizational growth by increasing access to finance and quality of institutions. This is substantiated by the present results which show that the concentration of foreign ownership participation has a positive impact on the financial performance of the UK corporate sector (Al Mustofa et al., 2025).

There are some differences, however. Past research typically indicates that the success of foreign ownership relies heavily on the quality of governance of the organization and management skills. As mentioned by Ferraz et al. (2025), a lack of absorptive capacity can prevent firms from enjoying the full benefits of foreign ownership. The new results, however, reveal a general positive association for the sample as a whole, suggesting that most firms in the UK are likely to be already endowed with the capabilities to benefit meaningfully from the foreign ownership advantage provided by foreign firms.

Moreover, many of the earlier studies had been conducted in emerging economies where, potentially, foreign ownership could have a more transformative effect given the lack of resources there. The present study builds off of this knowledge by providing an example that foreign ownership is also still useful and positive even in a developed economy like

the United Kingdom, given that firms are already operating in a developed financial and institutional setting.

5.4 Discussion of Capital Investment from Foreign Firms and Financial Performance

The third hypothesis showed a significant positive correlation between capital investment of foreign firm and financial performance of the firm with correlation coefficient of 0.736. It reveals that the successful financing of the physical asset, infrastructure and production facilities are vital for the financial success of the organizations in respect of foreign-funded investments.

The results are in line with the literature which stresses the role of foreign capital investment in increasing the productivity and business growth. Vo et al. (2025) concluded that foreign investments play a positive role in the development of the economy and organizations in terms of capital formation and production capabilities. Their results corroborate those of this study, which show that companies with more FDI tend to have better financial performance (Vo and Ho, 2025).

Likewise, Utouh et al. (2024) found that foreign capital investment is one of the important factors in industrialization in the development of infrastructure, modernization, and improvement in operation. This view is supported by the current results as investing in physical assets and infrastructure seem to enhance the financial performance of UK companies (Utouh et al., 2024).

Muharremi et al. (2025) also emphasized that foreign investment enhances productive capacity and business expansion opportunities. This positive relationship is highlighted in the current study, indicating that capital investment can positively affect the generating of revenue, the efficiency and the profitability of the enterprises in the long run (Muharremi et al., 2025).

But there are variations in how strong of the relationship different studies reported. The lowest correlation between the four dimensions of FDI was the correlation of capital

investment and it was still statistically significant in the present research. In contrast to some previous studies, capital investment was found to be the key factor in performance enhancements in this research. This can be partly attributed to the fact that in the modern world, the primary source of competitive advantage for organizations is fewer tangible assets—knowledge management, innovation and technological skills and more tangible assets, such as physical assets alone.

This interpretation is supported by the finding that in this research, technology and knowledge transfer had the highest correlation with financial performance. So, although capital investment is still important, its impact might be smaller when compared to the importance of intangible inputs of knowledge in the UK's economy.

5.5 Discussion of Technology and Knowledge Transfer and Financial Performance

The result has shown that technology (0.820) and knowledge transfer (0.812) had the most positive correlation with financial performance. It was the strongest correlation of any of the independent variables studied in this research.

The findings resonated with the current literature to highlight the role and significance of technology transfer and knowledge sharing in foreign investment operations. Ferraz et al. (2025) revealed that FDI helps to increase economic complexity and the competitiveness of the organizations due to knowledge diffusion and technological development. The findings of the present study are in line with this reason, as technology and knowledge transfer were identified as the most important variables that impact the financial performance (Ferraz et al., 2025).

Likewise, Luan et al. (2025) showed that foreign investment enhances the company's competitiveness by adopting technological innovation and advanced management practices. The focus of their study was on the role knowledge spillovers play in creating sustainable competitive advantages. This is consistent with the current study's results, which show that companies that have access to foreign technologies and people have better financial results (Luan et al., 2025).

Moreover, Almuqrin (2025) pointed out the role played by multinational companies in bringing advanced technologies, innovative processes and specialized expertise when investing in foreign countries. These resources can help companies increase their productivity, cut down on inefficiencies, and enhance market competitiveness. This high positive correlation was found in the present study, and this demonstrates the above advantages in the UK companies (Almuqrin, 2025).

The results are broadly similar to previous literature, but a significant difference appears regarding the relative importance of technology transfer. In many previous research financial capital has been considered as the main advantage of FDI. The present study, however, shows that technology and knowledge transfer is better related to financial performance than direct investment in capital. This means that now, in the age of knowledge-based economies, intangible can be more significant than physical capital.

5.6 Contribution to the Literature Gap

Based on the literature review it was found that there was a gap in the literature on the direct effect of various aspects of FDI on the financial performance of the firms operating in the United Kingdom. Previous studies were predominantly macroeconomic, with the majority of the studies concerned with economic growth, industrial development, sustainability and national competitiveness. Fairly less attention was paid on investigating the impact of specific components of FDI on organizational financial performance.

This paper adds to this knowledge gap by offering empirical evidence on four dimensions of FDI and their linkages with financial performance in UK firms. The results show that all components of FDI inflow volume, foreign ownership level, capital investment and technology and knowledge transfer have significant contributions to organizational financial success.

Moreover, the study adds to the existing knowledge by revealing the most significant dimension of FDI as technology and knowledge transfer. The discovery adds to the existing body of knowledge by emphasizing the relevance of intangible resources in contemporary business. The findings indicate that the advantages of FDI are not only in

the case of financial capital but also in the form of knowledge-based assets which help improve organisational competitiveness and performance.

5.7 Conclusion of Discussion

The discussion validates that all four Ds of FDI positively affect the financial performance of the UK companies. The results mostly confirm literature findings that the introduction of foreign investment is largely beneficial for organizational growth, competitiveness and profitability. But there are also key distinctions: technology plays a key role in the study, as well as the transfer of knowledge, and not physical capital investment. These findings add to the existing body of understanding, as they provide firm-level evidence from the UK context and to the extent to which FDI boosts organizational financial performance in a way hitherto missing from the literature. The research generally confirms the position that FDI continues to be an important factor in the success of business in the recent times knowledge-based economies.

CHAPTER 06- CONCLUSION

6.1 Introduction

The influence of foreign direct investment (FDI) on the financial performance of UK firms, has been studied. In developed countries, foreign direct investment remains vital for various functions of the economy business development and growth, technology transfer, and organizational competitiveness. The United Kingdom has a solid institutional base, excellent infrastructure, highly educated workforce, and exposure to the international markets; these factors continue to make the UK a top destination for foreign investment. Although the role of FDI is of importance, only few empirical studies have investigated the direct impact of various aspects of FDI on the financial performance of firms in UK business environment.

The conclusions from the study are given in this chapter. It presents the key findings, details how the research goals were met, points to theoretical and applied implications, identifies potential limitations and offers conclusions and recommendations for research, management, and policy makers.

6.2 Achievement of Research Objectives

Objective 1- To identify the level of foreign direct investment (FDI) inflows in the United Kingdom.

The first objective was to identify how much foreign direct investment the United Kingdom draws in. In this study, existing literature has been reviewed and an analysis of the investment environment in the UK has been completed, with the findings indicating that the UK is a huge target for foreign investment. The results underscored the necessity to provide a conducive environment for investments to continue attracting future investments.

Objective 2- To examine the impact of foreign direct investment (FDI) on the financial performance of UK firms.

The second objective was to investigate the effect of FDI on the financial performance of UK companies. This was accomplished by applying correlation analysis method which showed that all dimensions of FDI were statistically significant showing positive correlation with financial performance. The findings were supportive to the fact that FDI also contributes significantly to enhancing the organizational outcomes.

Objective 3- To provide recommendations to enhance the positive impact of FDI on the financial performance of UK firms.

The third objective was to make recommendations for maximizing financial performance related to FDI. Based on the results, some practical recommendations have been presented for managers and policy makers for maximizing the gains from foreign investment.

The study, therefore, realised its overall purpose and presented empirical evidence of the positive impact of FDI on the financial performance of UK firms.

6.3 Responses to Research Hypotheses

The results showed that the volume of FDI does have a significant effect on financial performance. Thus, the first hypothesis was accepted. Increased foreign investment is found to have a positive impact on firm profitability and growth as evidenced by this result.

The second hypothesis concerned the effect of the level of foreign ownership on financial performance. The results showed that there was a significant positive relationship, therefore the second hypothesis accepted. This implies foreign ownership offers valuable strategic benefits that can be useful to the organizational success.

The third hypothesis concerned capital investment of foreign companies. According to the results, the foreign capital investment positively influences financial performance; thus, the third hypothesis was accepted. The results show that the investments in physical assets are associated with increased operational effectiveness and profitability.

The fourth hypothesis examined the effect of technology and knowledge transfer on financial performance. The result indicated the greatest positive correlation of all the

variables considered that this enabled the fourth hypothesis to be accepted. The result brings into focus the increasing significance of innovation, developing and advancing new technologies and sharing knowledge in organizational performance.

As a result, all four hypotheses were accepted, giving support to the fact that foreign direct investment has a positive impact on the financial performance of the UK firms.

6.4 Contribution to Knowledge and Literature

One of the major strengths of this study is that it fills a gap in the literature. Past research has largely been directed at the link of FDI and macro-economic issues, like economic growth, industrial development, employment generation and national competitiveness. Fewer studies have investigated the impact of various aspects of FDI on the financial performance of the firm in the UK.

The study makes a significant contribution to literature since it presents the empirical evidence that shows a relationship between the various dimensions of foreign direct investment and organizational financial performance. The results show that the volume of FDI inflow, percentage of foreign ownership level, amount of capital investment, and technology transfer positively affect firm performance.

One of the other contributions is the recognition of the technology and knowledge transfer as the most important aspect of FDI. Although financial capital is a factor that is frequently mentioned in traditional studies, present research indicates that other intangible resources like innovation, expertise, and technological competency are acquiring increasing importance in modern business settings.

The results therefore contribute to knowledge by showing that foreign investment can bring more than money, it can bring strategic assets, which contribute to the competitiveness and performance of the organizations.

6.5 Practical Contributions

From a management perspective, the outcomes highlight the need to pursue foreign investment and capitalise on foreign investment opportunities and partnerships. It is important for the firms to absorb foreign investors' technological knowledge and managerial skills to enhance their competitiveness and financial performance.

The findings are encouraging for foreign investors in that it will have positive consequences if they are able to transfer their knowledge and technologies and work with UK companies on a long-term basis. This suggests investors should take steps beyond just giving financial capital and contribute to organizational development efforts.

The study also underscores policymakers' need to sustain a positive investment climate and to continue to encourage quality foreign investment. Economic zoning with policies fostering innovation, technology transfers, and strategic collaborations between domestic and foreign companies can be used to further enhance the economic gains of FDI.

In addition, the study recommends that programs be continued which enhance the capacity of domestic companies to effectively absorb and apply foreign knowledge and technological resources should be supported by the government.

6.6 Limitations of the Study

The first limitation of the study is that it was conducted on 100 respondents. This sample size was adequate for the purposes of statistical analysis, but a larger sample might yield more findings and more generalized results. This study was limited to companies in the United Kingdom. Therefore, the findings must not automatically be applicable to different economic, cultural and institutional contexts.

A quantitative approach in research was used. Quantitative analysis offers data which is valuable but may not reflect the actual managers and investors' experiences and perceptions of FDI.

The four dimensions of FDI were only investigated. There are other factors that could affect the impact of FDI on financial performance, including innovation capacities,

government incentives, market conditions, institutional quality, and industry characteristics.

Lastly, the study was conducted cross sectionally, meaning relationships were ascertained at a single time point. Longitudinal studies may offer better understanding of the changes in the effect over long term of foreign investment.

6.7 Recommendations

The results suggest that Foreign Direct Investment (FDI) has a positive and significant impact on the financial performance of UK firms. Hence, there is a need to actively seek foreign investment for which an organization must have transparent governance systems, financial stability and good growth potential. Companies should also forge strategic alliances with overseas investors to access the international markets and money, and advanced business practices that enhance overall competitiveness and profitability.

The research also shows the foreign ownership effect on the financial performance. UK business should embrace the concept of 'co-sharing ownership' whereby foreign partners can bring knowledge, talent and global contacts to the table. These partnerships can help with decision-making processes and make long-term organizational growth possible.

Foreign capital investment should be shrewdly used to modernize the infrastructure, enhance production facilities and improve operational efficiency. The investment priorities should be those projects that boost productivity and cut down on operational expenses to enhance financial performance and increase market competitiveness.

The most influential factor on financial performance was technology and knowledge transfer. Hence, companies should emphasize implementing the latest technologies, innovative management methods and foreign investment knowledge. Ongoing employee training, skills development and knowledge sharing programs are critical to the maximization of benefits from technology transfers. Effectively using these resources can provide improvements to productivity, innovation ability and sustainable financial growth for businesses in the UK in a highly competitive business environment.

6.8 Recommendations for Future Research

It can be extended in future research to have larger samples in various industries and areas. Such studies would be useful in giving a wider understanding of the effect of foreign direct investment on organizational performance.

Future studies may also use qualitative methods (e.g., interviews) with managers, investors, and policymakers to understand the mechanisms that drive FDI's effect on financial performance.

The long-term impacts of foreign investment on organizational growth, innovation, and sustainability could be explored in longitudinal studies. Such research would help understand the dynamics of the advantages of FDI over the long-term.

More factors like organizational culture, innovation capability, corporate governance, institutional quality and digital transformation can be tested as potential mediators or moderators between FDI and financial performance.

6.9 Final Conclusion

The research in this study highlights that FDI is a significant factor to improve the financial performance of the UK firms. The results show that the amount of FDI inflow, foreign ownership, foreign capital investment to the firm, and technology and knowledge transfer are all important factors in organizational success. Of these, technology and knowledge transfer turned out to be a significant factor in financial performance, underscoring the increasing significance of non-physical assets in today's business environment.

The objectives were well met and the study fulfilled an important gap in the literature and made valuable contributions to theory and practice. Although there are some caveats, the results are highly suggestive that FDI continues to be a potent force stimulating organizational growth, competitiveness, and financial sustainability in the United Kingdom. The ability to maximise benefits from foreign investment will continue to be vital

for organisations aiming for success and sustainable performance in the future as business environment and working conditions change globally.

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APPENDICES

Appendix 1-Questionnaire

Dear Participant,

You are kindly invited to participate in this academic research study conducted to examine the impact of Foreign Direct Investment (FDI) on the financial performance of UK firms. Your participation is completely voluntary, and all information provided will be kept strictly confidential and used only for academic purposes. The questionnaire will take only a few minutes to complete, and no personal identification details will be disclosed in the final research report. There are no right or wrong answers; therefore, please provide your honest opinions based on your experience and knowledge. Your valuable contribution will greatly support the success and accuracy of this research study. Thank you for your time and participation.

Tanvi

Section A: Demographic Information

Instruction: Please tick (✓) the one option that best describes your personal and employment background. This information is collected only for academic research purposes and will remain confidential.

1. What is your gender?

- Male
- Female

2. What is your age group?

- 18–25 years

- 26–35 years
- 36–45 years
- 46 years and above

3. What is your highest educational qualification?

- Diploma
- Bachelor's Degree
- Master's Degree
- Professional Qualification
- Other

4. What is your current job function?

- Finance / Accounting
- Investment / Treasury
- Operations
- Human Resources
- Marketing / Sales
- IT / Technology
- Administration
- Other

5. What is your monthly income range?

- Below £2,000

- £2,001–£4,000
- £4,001–£6,000
- Above £6,000

Section B: Main Research Statements

Instruction: Please read each statement carefully and indicate your level of agreement by selecting one response for each question based on your experience and opinion regarding the impact of Foreign Direct Investment (FDI) on the financial performance of UK firms.

Response Scale:

1 = Strongly Disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly Agree

Variable	Q No	Question / Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
FDI Inflow Volume	Q1	The increase in FDI inflow volume has improved our firm's financial growth.	☐	☐	☐	☐	☐
	Q2	Higher levels of foreign direct	☐	☐	☐	☐	☐

		investment have strengthened our company's profitability.					
Foreign Ownership Level	Q3	A higher level of foreign ownership has improved financial decision-making in our firm.	☐	☐	☐	☐	☐
	Q4	Foreign ownership participation has positively influenced our company's financial performance.	☐	☐	☐	☐	☐
Capital Investment from Foreign Firms / Physical Asset Investment	Q5	Capital investment from foreign firms has improved the quality of physical assets in our company.	☐	☐	☐	☐	☐
	Q6	Foreign-funded physical asset investments have increased our	☐	☐	☐	☐	☐

		company's operational efficiency.					
Technology and Knowledge Transfer	Q7	Technology transfer from foreign investors has improved our firm's productivity.	☐	☐	☐	☐	☐
	Q8	Knowledge sharing from foreign investors has enhanced employee performance in our company.	☐	☐	☐	☐	☐
Financial Performance	Q9	Our company has achieved higher profitability over the past years.	☐	☐	☐	☐	☐
	Q10	The overall financial performance of our company has improved significantly.	☐	☐	☐	☐	☐

Appendix 2 – Data set

Appendices- 2 Raw Data Table (Part 1: Respondents 1 to 50)

What is your gender?	What is your age group?	What is your highest educational qualification?	What is your current job function?	What is your monthly income range?	FD IIV 1	FD IIV 2	F O L1	F O L2	C I 1	C I 2	T K T1	T K T2	F P 1	F P 2
Male	35-44 years	Diploma	Finance / Accounting	Below £2,000	5	5	5	5	5	5	5	5	5	4
Male	18-24 years	Bachelor's Degree	Investment / Treasury	£2,001–£4,000	4	1	4	1	4	1	4	1	1	1
Female	18-24 years	Master's Degree	Operations	£4,001–£6,000	5	5	5	5	5	5	5	5	5	5
Male	18-24 years	Professional Qualification	Human Resources	Above £6,000	3	2	2	3	4	3	3	3	3	3
Male	18-24 years	Other	Marketing / Sales	Below £2,000	3	3	3	3	4	3	3	3	3	4
Female	18-24 years	Diploma	IT / Technology	£2,001–£4,000	4	3	4	4	5	3	5	3	4	4
Female	25-34 years	Bachelor's Degree	Administration	£4,001–£6,000	5	5	5	5	5	3	3	3	4	4
Female	18-24 years	Master's Degree	Other	Above £6,000	4	4	3	4	4	4	4	3	4	4
Female	18-24 years	Professional Qualification	Finance / Accounting	Below £2,000	4	1	2	2	3	2	2	3	2	2
Male	18-24 years	Other	Investment / Treasury	£2,001–£4,000	4	4	4	4	5	5	4	4	4	5
Female	18-24 years	Diploma	Operations	£4,001–£6,000	3	4	4	4	4	4	4	4	4	4
Male	25-34 years	Bachelor's Degree	Human Resources	Above £6,000	4	4	3	3	3	2	4	3	2	4
Male	18-24 years	Master's Degree	Marketing / Sales	Below £2,000	4	5	5	4	4	3	4	3	5	3
Male	18-24 years	Professional Qualification	IT / Technology	£2,001–£4,000	3	2	4	3	4	3	3	2	2	3
Male	25-34 years	Other	Administration	£4,001–£6,000	4	3	3	5	5	5	5	4	5	4
Male	25-34 years	Diploma	Other	Above £6,000	4	3	3	4	4	4	4	3	4	4
Male	18-24 years	Bachelor's Degree	Finance / Accounting	Below £2,000	5	5	4	5	3	3	2	3	2	4
Female	18-24 years	Master's Degree	Investment / Treasury	£2,001–£4,000	5	5	5	5	5	5	5	5	5	5
Female	18-24 years	Professional Qualification	Operations	£4,001–£6,000	4	4	4	3	3	4	4	4	4	4

Female	25-34 years	Other	Human Resources	Above £6,000	4	5	4	4	4	4	4	4	4	4
Male	45 years and above	Diploma	Marketing / Sales	Below £2,000	4	5	4	5	4	4	4	5	4	4
Female	35-44 years	Bachelor's Degree	IT / Technology	£2,001–£4,000	4	4	4	5	4	5	5	5	5	4
Female	45 years and above	Master's Degree	Administration	£4,001–£6,000	5	5	5	5	4	5	5	4	4	4
Female	18-24 years	Professional Qualification	Other	Above £6,000	1	2	2	2	3	2	1	1	2	2
Male	45 years and above	Other	Finance / Accounting	Below £2,000	1	1	2	2	1	2	1	2	2	2
Male	35-44 years	Diploma	Investment / Treasury	£2,001–£4,000	5	4	4	5	5	5	5	5	4	5
Male	18-24 years	Bachelor's Degree	Operations	£4,001–£6,000	5	3	4	3	4	4	5	5	5	5
Male	45 years and above	Master's Degree	Human Resources	Above £6,000	5	3	5	5	4	4	4	5	4	5
Male	45 years and above	Professional Qualification	Marketing / Sales	Below £2,000	4	5	3	4	3	4	4	5	4	4
Male	45 years and above	Other	IT / Technology	£2,001–£4,000	5	5	5	5	5	5	4	3	4	4
Female	45 years and above	Diploma	Administration	£4,001–£6,000	5	4	5	3	4	4	5	5	4	4
Male	18-24 years	Bachelor's Degree	Other	Above £6,000	5	5	4	5	4	4	3	4	4	5
Male	35-44 years	Master's Degree	Finance / Accounting	Below £2,000	4	3	3	4	3	3	3	3	4	4
Male	45 years and above	Professional Qualification	Investment / Treasury	£2,001–£4,000	2	1	1	2	2	2	1	1	2	2
Female	35-44 years	Other	Operations	£4,001–£6,000	1	1	1	1	1	1	2	1	3	2
Female	18-24 years	Diploma	Human Resources	Above £6,000	4	4	5	4	4	4	5	5	5	4
Male	25-34 years	Bachelor's Degree	Marketing / Sales	Below £2,000	3	3	5	4	4	3	3	4	5	5
Female	25-34 years	Master's Degree	IT / Technology	£2,001–£4,000	5	5	5	5	4	4	3	4	4	5
Male	45 years and above	Professional Qualification	Administration	£4,001–£6,000	5	4	5	4	4	3	4	4	5	5
Male	25-34 years	Other	Other	Above £6,000	5	5	4	4	5	5	5	5	4	5
Female	45 years and above	Diploma	Finance / Accounting	Below £2,000	5	5	5	4	3	4	4	5	5	4

Male	35-44 years	Bachelor's Degree	Investment / Treasury	£2,001–£4,000	4	5	5	5	5	3	3	4	5	5
Male	45 years and above	Master's Degree	Operations	£4,001–£6,000	3	4	3	4	5	5	5	4	4	4
Male	35-44 years	Professional Qualification	Human Resources	Above £6,000	2	2	1	2	2	3	2	2	2	1
Female	18-24 years	Other	Marketing / Sales	Below £2,000	1	2	1	1	2	3	2	1	1	1
Female	25-34 years	Diploma	IT / Technology	£2,001–£4,000	3	3	4	3	4	4	3	3	3	3
Male	45 years and above	Bachelor's Degree	Administration	£4,001–£6,000	4	5	4	4	4	4	5	4	4	4
Female	25-34 years	Master's Degree	Other	Above £6,000	5	4	5	4	4	5	5	4	4	3
Male	45 years and above	Professional Qualification	Finance / Accounting	Below £2,000	5	5	4	4	4	5	5	4	5	5
Female	18-24 years	Other	Investment / Treasury	£2,001–£4,000	5	4	4	5	4	4	4	5	4	4

Appendices- 2 Raw Data Table (Part 2: Respondents 51 to 100)

Male	18-24 years	Diploma	Operations	£4,001–£6,000	5	4	4	4	4	4	3	4	4	5
Male	35-44 years	Bachelor's Degree	Human Resources	Above £6,000	4	4	3	3	4	5	4	4	3	4
Male	45 years and above	Master's Degree	Marketing / Sales	Below £2,000	5	4	4	4	4	5	5	4	4	4
Female	25-34 years	Professional Qualification	IT / Technology	£2,001–£4,000	5	3	5	5	5	3	4	5	5	5
Male	35-44 years	Other	Administration	£4,001–£6,000	1	1	2	3	2	2	2	1	1	1
Male	25-34 years	Diploma	Other	Above £6,000	2	1	2	3	2	2	1	2	2	2
Male	45 years and above	Bachelor's Degree	Finance / Accounting	Below £2,000	5	5	5	5	4	4	3	4	5	5
Male	25-34 years	Master's Degree	Investment / Treasury	£2,001–£4,000	5	4	4	5	5	4	3	3	3	3
Female	45 years and above	Professional Qualification	Operations	£4,001–£6,000	5	4	5	5	5	5	5	4	4	4
Female	35-44 years	Other	Human Resources	Above £6,000	5	5	4	5	4	3	4	4	5	4
Female	25-34 years	Diploma	Marketing / Sales	Below £2,000	5	5	5	4	4	4	4	5	4	4
Male	18-24 years	Bachelor's Degree	IT / Technology	£2,001–£4,000	4	5	5	3	3	4	5	5	5	5
Male	35-44 years	Master's Degree	Administration	£4,001–£6,000	5	5	4	4	5	4	4	5	5	5
Female	25-34 years	Professional Qualification	Other	Above £6,000	2	2	1	2	3	2	2	1	2	2

Male	25-34 years	Other	Finance / Accounting	Below £2,000	1	1	2	2	2	2	1	1	2	3
Female	25-34 years	Diploma	Investment / Treasury	£2,001–£4,000	5	5	5	3	4	4	5	5	4	4
Male	25-34 years	Bachelor's Degree	Operations	£4,001–£6,000	5	5	4	4	5	5	5	4	5	5
Female	35-44 years	Master's Degree	Human Resources	Above £6,000	3	4	4	4	4	3	3	4	5	5
Female	18-24 years	Professional Qualification	Marketing / Sales	Below £2,000	5	5	5	4	5	5	5	4	4	4
Female	45 years and above	Other	IT / Technology	£2,001–£4,000	4	5	4	5	5	5	4	4	5	5
Female	45 years and above	Diploma	Administration	£4,001–£6,000	5	5	4	5	5	5	4	4	5	5
Male	18-24 years	Bachelor's Degree	Other	Above £6,000	5	4	3	4	5	4	4	3	4	5
Female	35-44 years	Master's Degree	Finance / Accounting	Below £2,000	5	5	4	5	5	5	4	4	3	4
Female	18-24 years	Professional Qualification	Investment / Treasury	£2,001–£4,000	1	1	2	1	3	2	2	1	2	2
Female	35-44 years	Other	Operations	£4,001–£6,000	2	2	1	2	1	2	2	1	2	2
Male	25-34 years	Diploma	Human Resources	Above £6,000	4	4	3	4	3	4	5	4	5	5
Male	25-34 years	Bachelor's Degree	Marketing / Sales	Below £2,000	4	4	5	4	5	5	5	4	4	5
Female	25-34 years	Master's Degree	IT / Technology	£2,001–£4,000	5	4	4	5	4	4	4	3	4	5
Male	35-44 years	Professional Qualification	Administration	£4,001–£6,000	4	5	5	4	5	5	5	4	5	5
Female	18-24 years	Other	Other	Above £6,000	4	5	3	4	5	5	4	4	4	5
Female	18-24 years	Diploma	Finance / Accounting	Below £2,000	3	5	5	5	4	3	4	5	4	5
Male	45 years and above	Bachelor's Degree	Investment / Treasury	£2,001–£4,000	5	5	5	4	4	4	4	5	5	5
Male	25-34 years	Master's Degree	Operations	£4,001–£6,000	4	4	3	5	4	4	5	5	4	5
Male	18-24 years	Professional Qualification	Human Resources	Above £6,000	1	2	1	2	3	2	1	1	2	2
Female	25-34 years	Other	Marketing / Sales	Below £2,000	1	2	2	2	3	2	2	1	2	2
Female	18-24 years	Diploma	IT / Technology	£2,001–£4,000	5	5	5	4	4	4	5	5	4	3
Female	35-44 years	Bachelor's Degree	Administration	£4,001–£6,000	4	5	3	4	4	5	5	4	4	4
Female	18-24 years	Master's Degree	Other	Above £6,000	4	4	5	4	3	4	4	5	4	5
Male	18-24 years	Professional Qualification	Finance / Accounting	Below £2,000	5	5	5	5	4	3	4	5	4	5
Male	25-34 years	Other	Investment / Treasury	£2,001–£4,000	5	5	3	4	5	5	5	4	5	5
Female	45 years and above	Diploma	Operations	£4,001–£6,000	4	4	3	4	4	5	5	4	5	5
Female	35-44 years	Bachelor's Degree	Human Resources	Above £6,000	5	5	5	4	3	4	5	5	5	5
Female	18-24 years	Master's Degree	Marketing / Sales	Below £2,000	5	5	5	5	5	5	4	4	5	3

Female	25-34 years	Professional Qualification	IT / Technology	£2,001–£4,000	2	2	1	1	2	2	3	2	2	1
Male	45 years and above	Other	Administration	£4,001–£6,000	1	1	2	1	2	2	1	1	2	3
Male	25-34 years	Diploma	Other	Above £6,000	5	4	4	5	4	5	4	4	3	4
Female	45 years and above	Bachelor's Degree	Finance / Accounting	Below £2,000	5	4	4	3	4	4	5	5	4	5
Female	45 years and above	Master's Degree	Investment / Treasury	£2,001–£4,000	4	3	4	4	5	5	4	3	4	4
Female	18-24 years	Professional Qualification	Operations	£4,001–£6,000	5	5	4	4	5	5	4	4	5	5
Female	18-24 years	Bachelor's Degree	Finance / Accounting	Below £2,000	3	5	5	4	4	4	3	4	4	4

