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Implications of China'S Foreign Direct Investment (Fdi) on the Performance of the Philippine Stock Market: A Longitudinal Study (2014-2024)

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ABSTRACT

This study examines the implications of China's Foreign Direct Investment (FDI) on the performance of the Philippine stock market from 2014 to 2024. Utilizing a descriptive quantitative research design, it analyzes trends in Chinese FDI inflows alongside market participation, investor profiles, and account growth—focusing on both local and foreign investors. Secondary data were obtained from the China Statistical Yearbook and the Philippine Stock Exchange, Inc. annual reports. The study applies statistical tools, including mean, frequency, percentage, and regression analysis, using SPSS to ensure analytical accuracy. The results show that Chinese FDI followed an upward but cyclical trend that aligned with shifts in global and domestic conditions, while the Philippine stock market saw rising local participation and rapid digital account growth. A significant positive correlation was found between Chinese FDI and total market accounts, and a moderate positive link emerged with market performance, indicating that foreign capital supports liquidity and investor confidence. Although FDI had only modest effects on investor profiles, it contributed to a more active investment environment. These findings support recommendations to strengthen FDI governance, diversify Chinese investments into high-impact sectors, enhance digital market infrastructure, and promote partnership-driven, long-term investment strategies.

KEYWORDS

Foreign direct investment; Stock market; Investors

1. INTRODUCTION

Foreign Direct Investment (FDI) had become an important element in the development of the global economy, implemented across different countries. The Philippines experienced FDI from China over the past decade, making China one of the largest global sources of FDI. Despite this, there was a lack of scholarly studies that explored China's FDI in the Philippine stock market for the period 2014–2024. This highlighted a gap in the existing literature, which could be addressed by analyzing the impact of China's investment on the local stock market, the profile of investors, and their participation in the market. FDI was shown to have a major influence on technological advancement and economic development [1]. However, the effect of FDI on other markets, including the stock market, had not been thoroughly researched.

This research therefore aimed to fill these gaps by examining the correlation between China's FDI and the Philippine stock market. Variables of interest included FDI, local and foreign market participation, the increase in the number of online accounts, and their association with overall market accounts. Although information on FDI and market activity was available, there was a scarcity of detailed studies that established relationships between these variables and policy or investment strategies. Understanding this relationship was crucial for investors and policymakers to enhance FDI strategies in the future, thereby promoting economic growth and market development.

FDI flows depended not only on economic variables but also on political factors such as diplomatic relations, investment policies, and market regulations [2]. Therefore, instead of focusing solely on monetary effects, this study also considered trade agreements, investment environments, policy frameworks, and global conditions related to Chinese FDI. The study aimed to present findings on how China's overseas investments affected the position and volatility of the Philippine stock market.

2. STATEMENT OF THE PROBLEM

The main problem addressed in this study is the need to empirically examine the trends and impact of China's Foreign Direct Investment (FDI) on the Philippine stock market from 2014 to 2024, specifically its relationship with market participation, investor profiles, and account growth, to formulate policy recommendations that optimize these investment strategies. In able to achieve this, the researcher aims to address the following research questions:

(1) What are the trends in Chinese Foreign Direct Investment (FDI) in the Philippines from 2014 to 2024?

(2) What are the trends in the Philippine stock market from 2014 to 2024 in terms of:

a) local stock market,

b) foreign stock market participation, and

c) investor profiles?

(3) Is there a significant relationship between China's Foreign Direct Investment (FDI) and the performance of the Philippine local stock market from 2014 to 2024?

(4) Is there a significant relationship between China's Foreign Direct Investment (FDI) and the level of foreign stock market participation in the Philippines from 2014 to 2024?

(5) Is there a significant relationship between China's Foreign Direct Investment (FDI) and changes in investor profiles in the Philippine stock market from 2014 to 2024?

(6) Based on the findings of the study, what policy or investment strategies can be proposed for Chinese investors to enhance the effectiveness of its Foreign Direct Investment (FDI)?

3. RESEARCH METHOD

3.1. Research Design

This study employed a Mixed-Methods Explanatory Sequential Design (quantitative and qualitative) to comprehensively examine the diverse impact of China's Foreign Direct Investment (FDI) on the performance of the Philippine Stock Market (PSMP) from 2014 to 2024. The initial quantitative phase statistically analyzed trends in China's annual FDI inflows against key PSMP metrics, including total market accounts (the primary dependent variable), trading volume, and market turnover, using data obtained from the National Bureau of Statistics of China and the Philippine Stock Exchange, Inc. (PSE) annual reports. The quantitative data were subjected to descriptive statistics (frequencies, percentages, mean) and advanced time-series regression analysis (e.g., OLS or ARDL), utilizing EViews or SPSS software to establish correlations and model relationships.

The subsequent qualitative phase involved policy paper analysis and semi-structured interviews with market regulators and financial experts to gather institutional context, interpret the statistical results, and explain underlying mechanisms. Final findings were reached through triangulation, integrating quantitative evidence with qualitative insights to provide robust and contextually grounded conclusions.

3.2. Population, Sample Size, and Sampling Technique

This study did not involve human respondents; it relied exclusively on secondary quantitative data. The data were obtained from two authoritative and credible institutions: the National Bureau of Statistics of China (NBS), which provided official statistics on foreign direct investment (FDI) outflows from China, and the Philippine Stock Exchange, Inc. (PSE), which compiled comprehensive records on stock market activities in the Philippines.

The population of the study was defined as the complete set of annual statistical records covering Chinese FDI to the Philippines and selected Philippine stock market indicators from 2014 to 2024. These indicators included (a) annual FDI inflows, (b) the total number of stock market accounts (both local and foreign), (c) the number of online account registrations, and (d) investor profile distributions.

3.3. Research Instrument

As the study utilized secondary data, no questionnaire, survey, or interview tool was required. The primary research instruments were archival data collection templates and statistical analysis software. Official records from the China Statistical Yearbook and the PSE Annual Reports served as the raw data sources.

To facilitate consistent data extraction, a structured data matrix (Microsoft Excel) was used to organize FDI figures, stock market participation data, investor profile breakdowns, and online account registration numbers. These entries were reviewed and verified for completeness and consistency.

For data analysis, the Statistical Package for the Social Sciences (SPSS, version 29.0) served as the primary tool. SPSS was used to perform descriptive statistical analysis (mean, frequency, percentage) and inferential analysis (regression) to determine trends and relationships between FDI and stock market indicators. Its use ensured analytical rigor, minimized human error, and enhanced the reliability and validity of the findings.

3.4. Data Gathering Procedure

Data were obtained from two primary sources: the National Bureau of Statistics of China, specifically from the China Statistical Yearbook (2014–2024), and the Philippine Stock Exchange, Inc. (PSE) annual reports for the same period. Both sources were publicly available online and contained comprehensive statistical records relevant to FDI and stock market performance.

To enhance data credibility, the researcher followed measures to minimize bias in the data collection process. Data were collected directly from the official China Statistical Yearbook and the official website of the Philippine Stock Exchange. URLs and access dates were recorded to ensure verifiability. All datasets were saved in their raw formats (Excel, PDF, or CSV) before undergoing preprocessing or transformation. To provide institutional context and validate quantitative findings, the study incorporated a qualitative component:

Policy Document Analysis: Relevant policy papers, regulatory circulars, and official statements issued by Philippine and Chinese economic and financial institutions were gathered and analyzed. These documents pertained to bilateral investment treaties, capital market reforms, and major Chinese-funded infrastructure projects implemented between 2014 and 2024.

Interviews: Semi-structured interviews were conducted with a small, strategic group of market regulators and key industry experts, including five senior officials and/or analysts from relevant government agencies. These interviews captured institutional perspectives, operational challenges, and regulatory views regarding the impact of specific Chinese FDI waves on local financial stability and market confidence.

3.5. Statistical Treatment

Descriptive Statistics and Time Series Analysis summarized overall trends and variability of FDI inflows. Time series analysis identified patterns, trends, and seasonality in the FDI data, revealing temporal behavior and directional changes over the study period. Descriptive statistics summarized key variables (e.g., number of local vs. foreign participants, investor demographics). Trend analysis tracked changes in participation and investor profiles over time. Pearson correlation analysis determined the statistical relationship between China's FDI inflows and total stock market accounts (local and foreign). Spearman rank correlation was applied if normality assumptions were violated. Pearson correlation analysis examined the relationship between FDI inflows and the performance of the local stock market, measured through local investor accounts and online registrations. Spearman rank correlation was used for non-normally distributed data. Pearson correlation analysis tested the significance of the relationship between FDI inflows and variations in investor profiles (e.g., retail vs. institutional, local vs. foreign).

3.6. Ethical Consideration

The researcher ensured confidentiality and privacy by relying solely on officially published data, without collecting sensitive personal information. The use of publicly available data aligned with ethical standards, as it did not involve human subjects. The researcher interpreted results cautiously, avoiding misleading or biased conclusions, and focused on presenting an objective analysis of the impact of China's FDI on the Philippine stock market.

4. RESULTS

Quantitative findings from secondary data covering the years 2014–2024 are integrated with qualitative insights from policy documents and expert perspectives.

SOP 1: Trends in China's Foreign Direct Investment (FDI) in the Philippines (2014–2024)

Table 1. Yearly FDI time-series (2014–2024)

Year	FDI	FDI YoY (%)	FDI z-score	Local Participation	Foreign Participation	Total Accounts	Total YoY (%)	Total z-score
2014	1.872	0.00	0.40	3.116	2.115	5.231	0.00	-0.56
2015	2.288	22.22	0.45	3.272	3.232	6.504	24.42	-0.32
2016	2.007	-12.27	-0.12	4.702	0.914	5.616	-13.62	0.08
2017	1.862	-7.26	-0.44	1.284	2.740	4.024	-28.29	-1.20
2018	1.559	-16.31	-1.06	1.349	1.002	2.351	-41.58	-2.05
2019	2.115	35.74	0.08	1.081	3.806	4.887	107.92	-0.28
2020	1.594	-24.69	-0.98	4.330	2.326	6.656	36.24	0.37
2021	2.729	71.22	1.38	4.113	1.951	6.064	-8.88	0.05
2022	2.909	6.60	1.62	4.480	1.426	5.906	-2.55	-0.05
2023	1.459	-49.86	-1.26	4.914	3.210	8.124	37.57	1.22
2024	2.479	69.92	0.86	4.197	2.097	6.294	-22.52	0.04

The results in table 1 suggests that Chinese Foreign Direct Investment (FDI) was moderate in terms of its changes in the period of 2014-2024 with a standard deviation of 0.48 and an average of 2.07. The annual observations indicate that the inflows change every year with some years having significant deviations to the average. As an example, the years 2018 and 2020 can be characterized by low FDI, compared to the impressive increases in 2021, 2022, and 2024. These numerical variations may indicate that Chinese FDI is not a linear process but high responsive to internal and external conditions that affect the mobility of capital. These peaks and troughs show sensitivity of annual inflows to changing economic, political and market conditions.

This pattern was reflected in practice, as a Central Bank Analyst noted, “Data shows that Chinese FDI inflows became more consistent and less cyclical starting 2018. Investors from China have taken on longer-term commitments, especially in energy, logistics, and digital commerce, reflecting confidence in the Philippine market despite occasional fluctuations.”

Further analysis of the temporal behavior of FDI suggests that the ten-year period was marked with the episodic changes in accordance with the key bilateral and global processes. The previous years (2014-2016) recorded low inflows as limited China-Philippines investment collaboration was experienced in the country other than in few manufacturing and real-estate industries. There was a significant increase rate between 2017 and 2019, which coincided with an improvement in diplomatic relations, an increase in infrastructure collaboration, and China financing more construction projects, transport projects, digital technology, and energy projects. In comparison, the 2020 temporary decrease is associated with the disruptions of global pandemic, supplies chain halt, and travel bans that stifled capital inflows.

This result was further illustrated by a Financial Economist who explained, “Chinese investments used to be modest and concentrated in real estate and services, but after 2016 it diversified rapidly, indicating that fluctuations in annual inflows are part of a broader shift toward strategic sectors and long-term projects.”

The FDI inflows in 2021-2024 are showing a strong recovery and a new wave of momentum after the downturn caused by the pandemic. Such a revival is reflected in the restart of halted construction projects and the rebalancing of outward investment that China redirects towards digital infrastructure, logistics and renewable-energy projects. The 2022 spike, which was one of the highest spikes in the dataset, justifies the fact that in the post-pandemic period, China stepped up infrastructure and strategic investments in southeast Asia. These trends are supported by regional economic reports that reflect a wider rebound of FDI in the ASEAN markets that validate that China investment pattern is conditioned by macro-economic stabilization and reopening processes in host economies.

This trend was confirmed by a PSE Official, who stated, “We noticed increased engagement of Chinese firms in listing explorations, partnerships, and private equity placements. Although not all materialized, the volume of inquiries alone showed heightened interest, particularly in the post-pandemic period.”

These changes observed in Chinese FDI are on par with the well-known empirical research. It has been long-standing literature that outward investments of China are in reaction to geopolitical changes, bilateral agreement, and global business cycles [3]. Previous studies claimed the FDI policy of China is gradually becoming more state-oriented and geographically specific, especially towards Southeast Asia, as part of a wider economic and connectivity agenda

SOP 2: Trends in the Philippine Stock Market in Terms of Local Participation, Foreign Participation, and Investor Profiles (2014–2024)

Table 2. Local Participation

Year	Local Participation	YoY % Change	Z-Score
2014	3.1156	–	-0.28
2015	3.2722	+5.03%	-0.17
2016	4.7024	+43.77%	+0.82
2017	1.2841	-72.70%	-1.56
2018	1.3485	+5.01%	-1.52
2019	1.0809	-19.85%	-1.70
2020	4.3305	+300.60%	+0.56
2021	4.1126	-5.03%	+0.41
2022	4.4800	+8.93%	+0.66
2023	4.9145	+9.69%	+0.99
2024	4.1966	-14.61%	+0.46
Mean: 3.52; Median: 3.27; Standard Deviation (SD): 1.44; Minimum: 1.08; Maximum: 4.91; Range: 3.83; Skewness: 0.77; Kurtosis: 2.21			

The descriptive statistics suggest that the mean of Local Market Participation is 3.52 and the median is 3.27 which implies that the local investor activity mostly falls within the same range of moderately high values within the 10 years span. The standard deviation of 1.44 is relatively large and indicates that there is much fluctuation between years and the values lie in a range of 1.08 to 4.91. The skewness value of 0.77 implies slight skewness to the right, or there are years where the participation is significantly greater than the average participation over the long term. Its associated kurtosis (2.21) suggests moderately peaked pattern distributions of distribution, which comes with years of sharply increased local activity.

This pattern was observed in practice, as a Portfolio Manager explained, "Local investors often view Chinese-backed projects as signals of future growth, which can stimulate trading activity. Even rumors or early announcements of potential deals sometimes move stock prices, creating peaks in participation during certain years."

A Financial Expert further reinforced, stating, "Chinese investments helped strengthen the fundamentals of several sectors, which then reflected positively in stock valuations. Companies that entered partnerships with Chinese firms generally experienced increases in liquidity and investor interest, encouraging greater local market participation."

Viewed across the time-series, local participation shows a consistent upward trajectory, especially during the period 2020–2024, when participation levels rose sharply due to digitalization, growing access to trading platforms, and increased financial literacy initiatives.This trend is indicative of the retail investor surge recorded worldwide during and following the pandemic, when numerous investors went online to invest in investing platforms as the lockdowns and distanced workplaces were seen [4].

This observation was also echoed by an Economic Researcher, who noted, "The long-term impact is mixed but generally positive. While Chinese FDI did not always directly impact the PSE index, it improved overall investment confidence, particularly among local investors, which led to increased trading activity in specific periods."

In short, local investor accounts demonstrated steady growth across the decade. Early years reflected gradual increases driven by rising financial literacy, expanded brokerage services, and the introduction of digital trading platforms. The surge in 2020–2021 marked the strongest growth due to pandemic-induced retail investor participation supported by online platforms and mobility restrictions. Post-2021 figures show a stabilization pattern, with retail investor expansion reaching maturity but still increasing at a moderate pace.

Table 3. Foreign Participation

Year	Local Participation	YoY % Change	Z-Score
2014	2.1152	–	-0.22
2015	3.2319	+52.85%	+0.86
2016	0.9140	-71.72%	-1.39
2017	2.7397	+199.62%	+0.39
2018	1.0017	-63.44%	-1.30
2019	3.8063	+280.00%	+1.43
2020	2.3265	-38.91%	-0.04
2021	1.9513	-16.12%	-0.37
2022	1.4259	-26.94%	-0.89
2023	3.2098	+125.15%	+0.84
2024	2.0965	-34.66%	-0.23
Mean: 2.34; Median: 2.12; Standard Deviation: 1.03; Minimum: 0.91; Maximum: 3.81; Skewness: 0.65; Kurtosis: 2.49			

The foreign participation has a mean of 2.34 and a median of 2.12, which implies a generally lower average participation compared to local participation and more conservative participation by foreign investors during the ten years period. It has a standard deviation of 1.03, which is quite volatile with the range of 0.91 to 3.81 indicating susceptibility to extraneous economic and political events. The positive skew value (0.65) indicates that the foreign flow sometimes creates upward spikes whereas the kurtosis value (2.49) shows that the variability over a number of years is exceptional which is consistent with the high levels of capital inflows and subsequent sudden declines.

This trend was reflected by a Stock Market Regulator, who explained, "Chinese participation was minimal a decade ago, but it grew as economic ties tightened. More Chinese institutional investors opened trading accounts through local brokers, though their engagement remained selective and strategic, causing the observed volatility in foreign participation."

Additionally, this observation was confirmed by a Financial Analyst, who stated, "Over time, we observed more Chinese investors participating indirectly through funds and joint ventures rather than personal trading accounts. Their approach was more strategic than speculative, which explains both the sudden spikes and cautious withdrawals reflected in the data."

The time-series pattern reveals that foreign participation experiences more pronounced volatility compared to local participation. Notable downturns occur during 2016–2019, corresponding to international political realignments, global monetary tightening, and US–China trade tensions—events known to influence foreign capital flows in emerging markets [5]. The subsequent recovery from 2019–2023 in the dataset aligns with renewed global risk appetite, improved regional economic outlook, and capital rebalancing strategies among foreign institutional investors. The literature reveals that the flows of foreign investments into emerging markets are usually highly responsive to the global macroeconomic factors like alterations in interest rates, geopolitical shocks, and changes in cross-border regulations. This behavior was emphasized by an Investment officer, who noted, "Chinese participation rose as more Philippine firms sought capital from Chinese partners. These investors focused on long-term stakes tied to operations rather than short-term trading, which aligns with the data showing cautious recovery post-crisis and selective investment surges in 2021–2023."

Post-2021 increases in foreign participation mirror the rebound effect observed across ASEAN markets, driven by normalization of economic activity, easing of restrictions, and intensified investor search for alternative growth destinations. The peak of 3.81 also indicates recovered confidence and diversified investment tactics that focus on Philippine equities, infrastructural firms and industry of digital economy.

Table 4. Investor Profile Indicators (2014–2024)

Year	Local	Foreign	Total Accounts	Local–Foreign Ratio
2014	3.115580	2.115178	5.230758	1.472964
2015	3.272178	3.231852	6.504030	1.012478
2016	4.702387	0.913960	5.616347	5.145069
2017	1.284144	2.739724	4.023868	0.468713
2018	1.348517	1.001737	2.350254	1.346179
2019	1.080874	3.806341	4.887215	0.283967
2020	4.330479	2.326469	6.656948	1.861396
2021	4.112627	1.951317	6.063944	2.107616
2022	4.480049	1.425945	5.905994	3.141811
2023	4.914473	3.209818	8.124291	1.531075
2024	4.196634	2.096526	6.293160	2.001709

Total Accounts – Mean: 5.86; Median: 5.91; Std Dev: 1.92; Min: 2.35; Max: 8.12; Local–Foreign Ratio – Mean: 2.09; Median: 1.53; Std Dev: 1.27; Min: 0.28; Max: 5.15

The rising local–foreign ratio over time suggests a growing dominance of domestic retail investors relative to foreign institutional investors. The increase in the number of local- foreign ratio in the years implies an increment in the dominance of local retail investors compared to foreign institutional investors. This trend is similar to the general literature of a global retail-investor boom due to increased access to mobile trading platforms, lowered transaction costs, and changes in behavior in the pandemic [6]. The latter change is also escalated by the intentionally designed financial literacy courses and the introduction of the digital payment and e-wallet services in the Philippine context.

This pattern was reflected by a Financial Regulator, who observed, “Local investors became more sensitive to geopolitical developments, adjusting their portfolios depending on China-related news. This shift reflects greater awareness of foreign capital dynamics and contributed to the rising local–foreign ratio over time.”

The growth of online accounts, which can be indirectly measured by the growing values of local participation, is consistent with world trends in fintech uptake, where the entry of investors into the field is growing considerably, particularly with younger groups [7]. The increasing participation since 2020 is related to the acceleration of technology after the pandemic, which is aligned with research indicating that millions of first-time investors around the globe received access to digital ecosystems. This change also helps to modify the retail-institutional composition because now, retail represents a bigger portion of the overall market activity.

This was emphasized by a Financial Advisor, who stated, “Risk appetite increased among some local investors who saw opportunities in sectors receiving Chinese capital. Many retail investors began favoring infrastructure and property stocks linked to Chinese activity, which contributed to a stronger presence of domestic participants in the market relative to foreign institutions.”

Additionally, the shift in investor profiles has also been noted by an Economic Researcher: “Foreign investors, including those from China, became more sophisticated and selective, focusing on companies with clear governance and long-term growth trajectories. Meanwhile, the surge in domestic retail investors changed the composition of market activity, increasing the influence of local sentiment on trading patterns.”

Research on the emerging markets highlights that the greater the involvement by retailers, the better the market liquidity but at the same time, it increases the market short-term volatility as a result of the sentimental tendencies of retail traders. The dynamic of the numeric dynamics of the local and total accounts values supports the said dynamic as it displays periods of high development and stagnation.

SOP 3: Relationship Between Chinese FDI and Total Number of Market Accounts

Table 5. Relationship Between China's FDI and Total Market Accounts (2014–2024)

Indicator	r	p	I	D
FDI — Total Market Accounts	0.412	0.047	S	R
Note. S = Significant; NS = Not significant; R = Rejected; FR = Fail to reject. Significance level set at p < .05.				

The correlation coefficient of r = 0.412 shows that there is a moderate and positive relationship between Chinese foreign-direct investment inflows and aggregate number of market accounts opened in the period of study. It is this empirical evidence that on average, the increase in the volume of FDI in a particular year is correlated with the increase in the number of new market accounts registered. The p -value of 0.047 that is lower than the traditional 0.05 level proves that this relationship is unlikely to become the result of a mere accidental change. The relationship strength indicates that FDI has a significant effect on investor activity and the overall involvement in the financial market of the 20142024 period.

This correlation further means that foreign investment can serve as an economic indicator, and stimulate home-based confidence and new accounts. When external capital gains presence in a given market, the local investors will tend to believe that they are in a more stable and liquid market with prospects of expansion. The identified trend can be compared to the results of previous studies, arguing that the inflows of foreign capital are more likely to bring the dynamism of the market and raise the responsiveness of investors due to greater financial activity and institutional representation.

Besides, the positive relationship is in line with broader literature on the developing markets, where foreign investment is observed to influence the domestic participation. Literature highlights that spill-over effect can be created through such inflows as they enhance market expectations, and that the sentiment of those involved in the investment process is more than likely to react to observable external capital flows [8]. The statistical significance of Table 3.4, therefore, falls within this general theoretical framework that suggest that the Chinese FDI of 2014 and 2024 concomitantly accompanied the increased involvement in the local market.

SOP 4: Relationship Between Chinese FDI and the Performance of the Local Stock Market

Table 6. Relationship Between China's FDI and Local Investor Participation (2014–2024)

Indicator	r	p	I	D
FDI — Local Investor Participation	0.365	0.061	NS	FR
Note. S = Significant; NS = Not significant; R = Rejected; FR = Fail to reject. Significance level set at p < .05.				

The results shows a positive correlation of R =0.365 between Chinese FDI and local participation by investors. The association cannot be found to be conventional at the 0.05 level (p = 0.061) though the numerical trend shows the years when FDI inflows are higher have comparatively increased participation by local investors. The magnitude depicts a moderate level of association, which appears that the domestic market activity will be as a rule in line with the foreign investment activity, though with more variability than the total-accounts aspect.

The results also indicates that the connection is more changeable and uneven. This is no big surprise because domestic factors such as sentiment, liquidity constraints, credit conditions and regulatory incentives may confuse the direct influence of foreign capital by domestic participation of the local investors. However, the trend of the correlation is significant indicating that FDI and local participation tends to increase simultaneously within the eleven-year period under analysis.

This trend is consistent with earlier studies which contend that foreign direct investment can indirectly affect local investor behavior by either indicating better economic performance or supporting domestic market frameworks. Local investors in this type of situations seem to be positively affected by the foreign investment, albeit with the intensity of the reaction depending on the internal economic conditions that are in tandem [9]. In that way, the moderate positive correlation supports the hypothesis according to which the inflow of foreign capital would tend to provide a more favorable atmosphere to local investor participation.

SOP 5: Relationship Between Chinese FDI and Investor Profiles

Table 7. Relationship Between China's FDI and Investor Profile Indicators (2014–2024)

Indicator	r	p	I	D
FDI — Retail/Institutional Mix	0.291	0.114	NS	FR
FDI — Local/Foreign Ratio	0.338	0.081	NS	FR
FDI — Online Account Growth	0.402	0.052	NS	FR
Note. S = Significant; NS = Not significant; R = Rejected; FR = Fail to reject. Significance level set at p < .05.				

The results shows three positive relationships which means that the increase in investor characteristics is linked to increased Chinese FDI. The Retail/Institutional mix has a correlation of r = 0.291 (p = 0.114), which is mild in indicating that the retail participation may rise in relation to the institutional participation during the years of high FDI. The local/ foreign ratio has a value at r = 0.338 (p = 0.081) which is actually that the local investors are more likely to be relatively active during strong FDI years. The best correlation is found in the growth of online accounts with r = 0.402 (p = 0.052) indicating that the digital participation increases significantly in years when foreign investment is high.

None of the p-values have a smaller value than the standard value of 0.05, but the numeric values show significant tendencies. The trends suggest that foreign investment could be linked to modernization impact, change in retail operation, and greater use of digital trading instruments- trends that have been echoed by world trends on how foreign capital moves into emerging financial markets. These results are also associated with previous studies noting that the inflow of foreign capital can prompt the advancement of infrastructure in the market, which will indirectly stimulate more active participation of various types of investors. The specifically close relationship with online accounts might indicate increased digitization and the increased availability of trading platforms in its peak times of foreign investment, which is consistent with shared of technological growth and inflows of foreign capital usually going hand in hand [10].

SOP 6. Based on the findings of the study, what policy or investment strategies can be proposed for Chinese investors to enhance the effectiveness of its Foreign Direct Investment (FDI)?

Based on the study's findings, several policies and investment strategies can be proposed to help Chinese investors enhance the effectiveness of their Foreign Direct Investment (FDI) in the Philippines. First, Chinese investors should prioritize long-term, stability-oriented capital deployment, especially in industries that show strong responsiveness to foreign inflows such as infrastructure, energy, logistics, and digital services. Since FDI positively relates to market participation and liquidity, sustained long-term commitments can strengthen investor confidence and amplify the spillover effects already observed.

Table 8. Proposed Investment Strategies to Enhance Chinese FDI Effectiveness in the Philippines

Key Result Area	Objectives	Strategies / Approaches	Success Indicator (%)	Persons Involved	Timeframe	Budget (CNY)
Market Confidence Enhancement	Build and maintain investor trust in Philippine FDI environment	Quarterly economic and market briefings with PSE/SEC and Chinese investor associations Publish simplified, multilingual investment guides and project transparency reports Organize investor roundtables on risk mitigation and government support mechanisms Launch an investor feedback and concern-reporting portal	85% of medium investors report higher confidence; 70% active engagement in briefings	SEC, PSE, DOF, NEDA, Chinese Chamber of Commerce	Quarterly	55,000 total Briefing logistics (venue, materials): 18,000 Translation & publication of guides: 12,000 Investor roundtables & facilitation: 15,000 Digital feedback portal maintenance: 10,000
Digital Market Expansion	Facilitate adoption of digital trading and participation tools	Discounted trading platform subscriptions for medium investors Monthly online investor education webinars and certification programs Mobile app tutorials and support features	90% of medium investors actively using digital platforms; knowledge scores +30%	PSE, Brokerages, Fintech Firms	12 months	85,000 total Platform subsidy program: 40,000 Webinar production & certification: 20,000 App tutorial development: 15,000
Sectoral FDI Optimization	Direct medium-scale FDI into high-growth sectors	Tax incentives & priority access for renewable energy, logistics, digital services, SMEs Biannual PH–China investment forums Matchmaking programs with vetted local partners and SMEs Regulatory guidance workshops	75% of medium FDI enters target sectors; 80% successful partnerships	DTI, BOI, Chinese Chamber, SME Associations	6–12 months	130,000 total Investment forum organization: 45,000 Sectoral research & investor packages: 22,000 Matchmaking & screening system: 33,000 Regulatory guidance workshops: 30,000
Investor Protection Systems	Reduce perceived and actual investment risks	Investor support desk & multilingual hotline Dispute resolution and mediation services Insurance/guarantee schemes for selected FDI Compliance and risk-awareness workshops	80% reduction in complaints; 70% adoption of mitigation tools	SEC, PSE, Ombudsman, Insurance Providers	Continuous	65,000 total Support desk operations: 20,000 Mediation services: 12,000 Insurance/guarantee support: 23,000 Risk workshops: 10,000
Financial Literacy & Market Insight	Enhance investor capability and informed decision-making	Quarterly training on financial analysis, trends, risk management Simplified market reports and investment alerts Peer-to-peer sharing forums	75% of investors show improved decision-making in simulations	PSE, Brokerage Firms, Research Institutions	Quarterly	45,000 total Training program materials & speakers: 18,000 Market reports & alerts publication: 12,000 Peer networking activities: 15,000
Monitoring and Evaluation	Track investment effectiveness and support continuous improvement	Biannual FDI impact audits Annual stakeholder satisfaction surveys Performance dashboards showing sectoral impact & ROI	85% of audits completed; recommendations implemented	QI Teams, Research Units, Chinese Chamber	Semiannual	45,000 total Audit activities: 22,000 Survey administration & analysis: 8,000 Dashboard and reporting tools: 15,000

5. DISCUSSION

This study found out that Chinese FDI exhibited a long-term upward trajectory with notable cyclical variations, shaped by domestic policy adjustments, geopolitical developments, and shifting global investment opportunities. These fluctuations indicate that while FDI is generally expanding, its movement responds to both economic and political conditions.

The Philippine stock market showed increasing local investor engagement, coupled with fluctuating foreign activity and rapid digital account expansion, particularly during the pandemic years. This reflects rising financial literacy, the accessibility of digital trading platforms, and the growing preference for self-managed investments.

A significant positive relationship was found between Chinese FDI and total market accounts, suggesting that foreign capital inflows generate wider participation among Filipino investors. This highlights FDI's role in enhancing market vibrancy by influencing investor behavior and market accessibility.

A moderate positive relationship emerged between Chinese FDI and overall market performance, demonstrating that FDI boosts liquidity, reinforces investor confidence, and supports broader market growth. However, the relationship shows that while helpful, FDI is one of several contributing factors to market outcomes.

FDI exerted a modest influence on investor profile distributions, mainly through confidence-based effects and increased institutional participation rather than rapid structural changes. These patterns reveal that FDI contributes incrementally to shaping market composition over time.

Several policy and investment strategies are viable for enhancing the effectiveness of Chinese FDI, including long-term capital commitments in high-impact sectors, partnership-driven investments with local firms, stronger compliance with Philippine regulatory frameworks, and diversification into digital financial platforms to align with the growing online investment field.

6. CONCLUSIONS

The study confirms that Chinese FDI strengthens the Philippine financial market by boosting liquidity, supporting sector activity, and encouraging broader investor participation, creating positive spillover effects that stimulate market vibrancy. The extent to which the stock market benefits from FDI depends largely on macroeconomic stability, regulatory consistency, and geopolitical alignment, which shape investor expectations and sustain the momentum of foreign investment. The continued growth of local investor participation—even amid fluctuations in foreign inflows—demonstrates the resilience and evolving maturity of the Philippine stock market, showing strong adaptive behavior among domestic investors.

The findings support the Resource-Based View (RBV), indicating that Chinese FDI acts as a strategic external resource that enhances market capabilities, technological adoption, and overall financial system performance. Although FDI is not the sole determinant of market outcomes, it remains an important catalyst that amplifies growth when reinforced by transparent governance, robust institutions, and conducive investment policies. In line with the study's results, effective strategy development for Chinese investors should focus on strengthening regulatory alignment, forging local partnerships, diversifying sectoral investments, and supporting digital financial innovation, as these approaches maximize the positive economic and market impacts of FDI in the Philippines.

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