

ORIGINAL RESEARCH

Decoding FDI Inequality: The Bureaucratic Factor in India

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Following the economic liberalization led by Shri Manmohan Singh in 1991, India saw a surge in Foreign Direct Investment (FDI), yet its distribution remains highly uneven, with 85% of the \$70.9 billion received in 2023 concentrated in just five states. While previous studies emphasize factors like GDP, infrastructure, and human capital, they fail to fully explain this disparity. This study highlights bureaucratic inefficiency as a key determinant, using cross-sectional data from 2022 and multiple regression analysis. The results show a statistically significant positive relationship between FDI and corruption cases per 10 lakh individuals (coefficient: 2439.607, $p < 0.1$), suggesting that corruption enables investment by helping firms bypass bureaucratic red tape. Additionally, infrastructure and inflation negatively impact FDI, while GDP has a strong positive correlation (coefficient: 0.029, $p < 0.01$). With an R^2 value of 0.81, the model explains a substantial portion of FDI variation across states. These findings challenge the conventional assumption that corruption deters investment, instead showing its paradoxical role in facilitating FDI in regions with inefficient governance. However, reliance on corruption for economic activity has long-term consequences, reinforcing inefficiencies and limiting equitable development. To attract sustainable investment, policymakers must prioritize governance reforms, streamline approval processes, and strengthen institutional transparency, ensuring FDI flows are driven by economic fundamentals rather than informal practices.

Foreign Direct Investment (FDI), cross-border investment in businesses, is an essential part of a country's capital account. It allows a country to maintain its foreign reserves and increase its investment component, which can lead to long-term economic growth by increasing the investment in the economy. Many major developing countries have seen escalating growth in net FDI inflow, which has helped them transition from agricultural to industrial economies. Similar is the case for India, an economy with a net FDI inflow of \$70.9 billion as of 2023, a significant increase from the pre-liberalization period. About 67% of the total post independence FDI inflow in India has happened in the last 23 years. However, the inflow of FDI has yet to be even across India, with some states like Maharashtra, Karnataka, Gujarat, Delhi, and Tamil Nadu receiving almost 87% of their total FDI for the current year¹. The concentration of FDI in a few states raises concerns, as it may exacerbate regional disparities despite its importance to economic development across all states.

What makes FDI so important? FDI increases the marginal productivity of capital in local firms, as highlighted by Wang & Blomström [26]. Local firms' productivity is improved when they learn from observing the superior technology and expertise of foreign multinational corporations (MNCs). The regional firms get an opportunity to catch up with the foreign firms as research and development flows across the firms. Foreign firms choose to invest in other countries rather than their own country to utilize the resources of different countries, such as human capital, land, etc., which also allows them to increase productivity in their own country at a lower cost—indicating that there is almost a symbiotic relationship between FDI and economic growth for both countries, which is further shown in the empirical analysis of 23 developing countries and China by Hsiao and Shen [14].

The more crucial question is, what drives the inflow of FDI?

Foreign Direct Investment is positively correlated to employee training in courses, leading to the development of human capital and cooperative tax benefits for the host country. Loungani and Razin [16] argue that in East Asian countries, FDI remained a stable form of investment during the global financial crisis of 1997-98 and was directly linked to human capital growth, as the country's population got employee training in the course of managing the MNC's operation. While it was believed FDI inflow was driven by cheaper labor costs, Amirahmadi and Wu [3] observed that international firms have moved from labor-intensive to capital-intensive manufacturing due to technological advancement in recent years. International firms' workflow has also incorporated technologies like Artificial Intelligence, Machine Learning, and Robotics. Therefore, countries with cheap labor might be less attractive to MNCs, and they would prefer countries with highly skilled labor forces that can adapt to new technologies. Multiple researchers have studied the relationship between FDI and human capital formation but have yet to come to the same conclusion. Miningou and Tapsoba [17] introduced another factor to consider: the external efficiency of an education system. The paper argued that a country's ability to translate skills learned in schools to the labor market is directly linked to the FDI it receives. Therefore, we can say that investment in tertiary and vocational education, which can improve graduates' employability, might be a more effective strategy to attract FDI.

Several other macroeconomic factors drive FDI, such as exchange rate, urbanization, and GDP. Alharthi et al. [2], in their study on GCC countries, concluded that unemployment, population, inflation, GDP growth, infrastructure, and urbanization positively affect FDI inflow to the government. In contrast, CO2 emissions negatively impact FDI inflow in the long run.

Vijayakumar et al. [25] employed panel data analysis in the

context of the BRICS economies, concluding similar findings—i.e., that market potential, infrastructure, capital formation, and industry positively correlate to FDI. While previous studies have identified urbanization as a significant factor in attracting inward FDI, Dutta et al. [12] have contested the positive correlation between FDI and urbanization—analysing data from 107 countries. It concluded that there is a negative correlation between FDI and urbanization. Urbanization, often associated with increased developed physical infrastructure, attracts firms from developing countries but also represents an increase in competition, which is unfavorable for MNCs.

In the Indian context, Chakraborty and Nunnenkamp [8] conducted a sectoral analysis and found that FDI has a mutually reinforcing relationship with output in the secondary sector. There was no significant impact of FDI on growth in the primary industry and only a temporary positive effect in the tertiary sector. FDI in services can lead to long-term growth in the secondary industry through knowledge and technology spillover effects. The study above mentions the need for an even distribution of FDI across the states of India. Sandhya et al. [22] highlight the growing need for FDI in R&D in India, as it has accelerated growth in sectors such as information technology, biotechnology, and automation. However, since the intellectual property rights of innovations in these sectors remain with the multinational corporations (MNCs), the economic benefits are largely reaped by foreign countries, leaving India unable to fully capitalize on these R&D investments.

Regarding the determinants, Dua and Garg [11] analyzed India's data to establish a link between macroeconomic factors and FDI. The study found a positive correlation between FDI, GDP, macroeconomic stability, and infrastructure development. Conversely, a negative association was identified with the exchange rates. According to the authors, tariff barriers were insignificant due to the "tariff jumping" nature of FDI in India, i.e., manufacturing companies use FDI to enter the market instead of directly exporting their goods to avoid tariffs. In a similar light, Subramanian et al. [24] analyzed data from 563 districts of India and concluded a positive relationship between physical infrastructure and FDI inflows. The relationship was essentially non-linear with a "threshold level" of infrastructure, i.e. the infrastructure only became highly significant when a threshold level of infrastructure was met, unit that it wasn't significant. Similar results were found by Chakraborty et al. [9], which stated that coastal infrastructure (nearness to ports), per capita income and urbanization positively impacted FDI, though the highway density negatively affects the amount of FDI.

Kar [15] highlights that the relationship between India's human capital and FDI shows that investment in primary education does not lead to short-term growth in FDI as it crowds out the investment required for infrastructure. However, FDI inflow does stimulate India's human capital development and increase enrollment in MPhil/PhD programs, presenting a case of reverse causality. Similarly, Gupta [13] argues that India's FDI inflow and human capital are unrelated. Strat [23] suggested a positive relationship between tertiary school enrollment and FDI in Romania and Poland. Similarly, Bengaluru, one of India's IT hubs, receives a high amount of FDI because of its highly skilled labor.

One could claim that the primary determinants of FDI provide an incomplete picture of the variation in FDI across Indian states. For example, regarding human capital, Uttar Pradesh has more ed-

ucational institutions than Maharashtra, but Maharashtra receives more FDI than Uttar Pradesh. That being said, there are a few things familiar to the states that receive a significant amount of FDI: a greater number of graduates, good physical and digital infrastructure, and good healthcare infrastructure. Thus, some major determinants must be omitted from the above studies, responsible for such distribution of FDI across Indian states.

The primary aim of my paper is to investigate the overlooked determinant—bureaucratic inefficiency—and to analyze how it affects the distribution of FDI across Indian states. I show that including bureaucratic inefficiency provides a more complete picture explaining the variation in FDI across Indian states. The results also inform the much-needed reform to attract more significant FDI in the lagged states. Section 2 discusses how the most studied determinants fail to explain the distribution of FDI across Indian states and how the inclusion of corruption as a primary determinant completes the picture of the variation of FDI across the states. Section 3 highlights the data used in the paper. Section 4 gives the empirical specification and econometric analysis of the collected cross-sectional data from 2022. Lastly, I conclude the paper in section 5.

2. FDI in India: Historical Trends, Regional Variations, and the Role of Bureaucracy

2.1 Relationship Between FDI and Bureaucracy in India

India practiced the "license raj" policy, i.e. businesses needed a number of approvals to operate, over its business from her independence till 1991; therefore, corruption became a part of business expenditure as businessmen preferred to get their licenses by bribing the bureaucrats. According to Ghose and Bhattacharya [7], when foreign multinational companies invest in India, they need a series of clearances from the Reserve National Bank of India. Therefore, many of these companies decided not to follow the rules and bribed the low-paid officials. The money they paid in bribes was generally low; consequently, it became an attractive way for them to enter the country.

Over time, corruption has become ingrained in India, persisting even after the end of the "licence raj" in 1991, particularly in the secondary sector. Misallocation of resources, weak law enforcement, and lack of accountability have created an environment where corruption is normalized. Authors like Debroy and Bhandari [10] believe that MNCs participate in bribery because of the reduced economic freedom, owing to the licence raj that still exists in India's service sector. However, in many sectors, FDI has moved to the Automatic route². There are still sectors like healthcare, pharmaceuticals, multi-brand retail trading, and digital media where MNCs need government approval before investing in the Indian Market. Thus, eliminating trade barriers to private industry won't change the perception of corruption much.

Obamuyi and Olayiwola [20] mentioned that corruption has an empirical positive effect on economic growth, as it may help "grease the wheels" of commerce by enabling investors and businesses to sidestep red tape and administrative delays. Conversely, corruption and inefficient bureaucracy have also been a bane of our economy. Bedi and Kharbanda [4] mentioned that it takes 67 days for a company to obtain an electricity connection, 16 days to get clearances and export goods from India, 182 days to deal with construction permits, and 1420 days to enforce contracts. It takes

4 to 8 weeks for a new company to register in India compared to a few days in most developed and developing markets, making it difficult for business to operate with the red tapism slowing down operation. The bureaucratic red-tapeism, complex tax procedures, restricting labor laws, and uncertain government policies have restricted FDI inflow in India. Bewtra [5] analyzed country-level FDI and corruption data from India between 2008 and 2020, stating that improved corruption control leads to a more significant FDI inflow. Bhattacharyya and Jha [27] state that corruption perception in India negatively correlates with economic growth. Implementing schemes to reduce corruption, such as the Right to Information (RTI) Act (a 2005 law that gives citizens the right to access information from public authorities), has become the need of the hour.

2.2 How Does FDI Vary Across India's States?

Drawing from the previous work on FDI's determinants in India, I focus mainly on macroeconomic factors like gross domestic product, inflation, and foreign exchange rate, as well as social factors like education, healthcare, government stability, and infrastructure to explain the variation above. Though theoretically, all of these factors play essential roles in the development of an economy, when we look at the empirical data from the states of India, we don't find a strong correlation between these factors and FDI. For instance, inflation is frequently used to measure the economy's stability. A high inflation rate decreases regional real investment return, discouraging the investors from investing. However, a stable inflation rate does not provide a better FDI inflow in the Indian context. In the financial year 2022, the inflation rate for Telangana and Maharashtra was 8.6% and 7.3%, respectively, some of the highest in the country, and yet it received Rs 10889.119 crores and Rs 128292.33 crore in FDI inflow, respectively. In comparison, the state with the lowest inflation rate, Goa (3.6%³), received just Rs. 142.3 crores in FDI inflow⁴.

Education and healthcare are critical components of human capital, as they enhance productivity, improve quality of life, and support long-term economic growth. A frequently cited factor influencing foreign direct investment (FDI) in India is the country's human capital—its large, skilled, and increasingly educated workforce—which serves as a key attraction for foreign investors. However, education doesn't seem to be a determining factor in explaining the regional variation of FDI between Indian states. Though it has previously been mentioned in Miningou and Tap-soba [17] that enrollment in tertiary education is directly related to FDI, especially in Indian states, Uttar Pradesh has the highest student enrolment in universities in 2019-2020⁵. It still received Rs. 5758.17 crore, way lower than Maharashtra (Rs 128292.33 crore). Similarly, for healthcare, Karnataka surpasses all other states in terms of the number of urban hospitals (21,761), which serves as a substantial measure of healthcare infrastructure since most healthcare facilities and FDI are concentrated in urban centers. However, Karnataka still receives less FDI than Maharashtra, which has 149 urban hospitals. Looking at the health index released by the Home Ministry in their Good Governance Index 2021, Kerala has the best health system compared to all states. Still, it received one-third of the FDI inflow Gujrat received in 2022. Therefore, the amount of FDI received by Indian states does not seem strongly related to human capital.

Lastly, infrastructure creates the environment investors need to run their business efficiently. A well-planned infrastructure re-

duces transportation costs and time, gives enterprises the ideal workplace space, provides the necessary energy required, and creates a perfect environment for research. Still, the variation in the Indian state's infrastructure does not explain the variation across the inflow of FDI in Indian states. According to the Infrastructure Index published by NITI Aayog in 2021, states such as Gujarat, Tamil Nadu, Punjab, Goa, Delhi, and Haryana exhibit higher infrastructure scores compared to Maharashtra. However, Maharashtra continues to attract higher levels of foreign direct investment (FDI), suggesting that FDI inflows may not be directly correlated with infrastructure development.

Given the above evidence, it wouldn't be wrong to claim that an important factor has been missing from the studies undertaken to explain the variation in FDI across Indian States. That variable is corruption, something foreign companies often indulge in to enter the Indian market. Therefore, the coming paragraphs will discuss how corruption explains the distribution of FDI across Indian states when taken in addition to the previously mentioned determinants.

2.3 Contemporary Relationship Between FDI, Bureaucracy and Other Determinants in India

Corruption can be defined in many ways, though it could be broadly defined as when a public official works for private gains. Though corruption might speed up the process in some cases, it often leads to delays in public service and deadweight loss for the economy because of the misallocation of resources. The relationship between foreign direct investment (FDI) and bureaucratic efficiency is complex and multifaceted, often characterized by interdependent dynamics that influence economic outcomes in various ways. As previously discussed, the likelihood of being implicated in a corruption case and facing legal consequences in India remains relatively low. Consequently, many multinational corporations resort to corrupt practices as a means of expediting and facilitating their entry into the Indian market. Maharashtra, the state that experienced the maximum amount of corruption in India in the year 2022⁶, also received the maximum amount of FDI. Figure 1 shows the relationship between the FDI inflow of Indian states and the number of corruption cases they receive per 10,000 people.

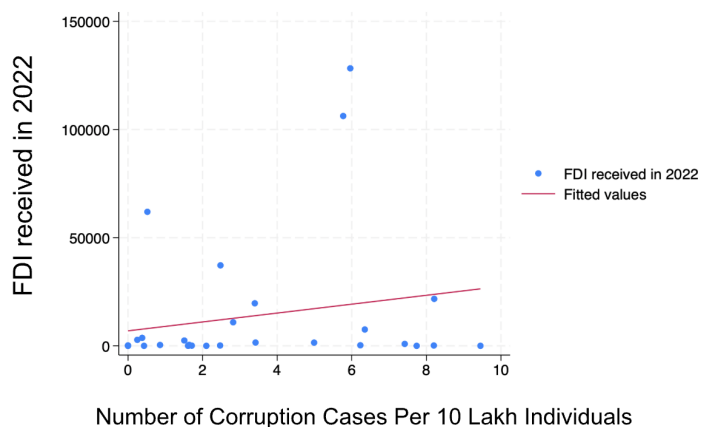


Fig. 1 | Correlation between Corruption and FDI across Indian States

The graph shows a positive correlation between FDI received by a state and the corruption cases it receives per capita. Abosti [1] analyzed the data of the 20 most corrupt countries according to the Corruption Perception Index⁷ and argued that corruption is in-

evitable in developing countries. The paper argued that corruption acts as a helping hand regarding FDI and economic growth in the top 20 most corrupt countries. However, it acts as a “grabbing hand” for the bottom 20 most corrupt countries. The analysis of 33 randomly selected Asian countries yielded a significant positive linear relationship between the Corruption Perception Index and FDI. As a result, the argument that in India, with its weak bureaucratic and judicial systems, MNCs often indulge in corrupt practices to bypass certain restrictions and monetize on the market is strengthened. That could potentially be true in India. So, the following section will analyze the cross-sectional data from the year 2022 to verify the claim.

3. Data

To analyze the impact of corruption on FDI inflow in India, I constructed a cross-sectional data set of different determinants of FDI in each Indian state, FDI received by each Indian state, and corruption cases per 10,000 citizens in each state. The data about corruption cases per 10,000 citizens and the healthcare index have been collected from the NITI Aayog website in their SDG 2024 and SDG 2021-22 calculations, respectively. The infrastructure index has been collected from the Home Ministry’s Good Governance Index 2020-21. Inflation, FDI, GDP, and gross enrollment ratio in higher education have been collected from data banks released by the Reserve Bank of India’s state-level datasets. The summary of the data collected is given below:

Table 3.1: Summary Statistics

Variable	Observations	Mean	Minimum	Maximum	Std Dev
FDI in Rs Crore	30	13608.3	0.000	128292.3	31337.17
Number of Corruption Cases					
per ten lakh individuals	30	3.252	0.000	9.450	2.976
Health	30	0.457	0.167	0.721	0.154
Gross Enrollment Ratio in					
Higher Education	30	31.643	11.2	64.800	13.221
Inflation	30	6.206	3.2	8.6	1.738
Infrastructure	30	50.966	72	24.00	14.072
Number of Riots per 10,000					
people	30	2.696	0	7.900	2.333
GDP in Rs Crore	26	1031980	42697.08	3645884	915077.6

Table 3.1 summarizes the data collected. In the case of FDI, the mean is Rs. 13608 crore, and the standard deviation is Rs. 31337.17 crore. The minimum is zero, and the maximum is Rs 13608.3 crore. The explanatory variable of interest, i.e., the number of Corruption Cases per 10 lakh individuals, has an average of 3.252, and the standard deviation is 2.976 – as the minimum is zero and the maximum is 9.45.

The control variable, the Gross Enrollment Ratio in higher education, has a mean of 31.643, with a maximum of 64.8 and a standard deviation of 13.22189. Similarly, inflation in 2022 was a bit higher than the stable level (3%); the average inflation was 6.206667, with a minimum of 3.2, and the data is more uniformly distributed with a standard error of 1.73833. The average infrastructure index across all states is 50.9667, and it is more uniformly distributed with a standard deviation of 14.07243. The number of Riots per 10,000 people is skewed left, with a minimum

of 0, a mean of 2.69667, and a standard deviation of 2.3393. The GDP of Indian states in Rs crore is also skewed towards the left, with a mean of 1031980, a minimum of 42697.08, a maximum of 3645884, and a standard deviation of 915077.6. We don’t have GDP data for Daman and Diu, Dadar and Nagar Haveli, Ladakh, and Lakshadweep.

4. Empirical Specification and Analysis

For the econometric analysis, a multiple regression model was used to determine the relationship between FDI and Corruption in the cross-sectional data of the year 2022.

$$y_i = \alpha + \beta \text{Corruption}_i + \gamma X_i + \delta_i + \varepsilon_i$$

In the above equation, y_i represents the FDI received by the ‘i’ Indian state during 2022. The explanatory variable of interest is “Corruption,” which represents the number of corruption cases in a state per 10 lakh people. The control variables (X_i) include the Health index, GDP, Infrastructure Index, Inflation, GER in higher education, and Number of Riots per 10,000 individuals represented by the vector X_i . The vector δ_i denotes region-specific fixed effects, divided into North, East, South, West, North East, α is the y-intercept, β is the constant for corruption, γ is the constant concerning controls, and ε_i is the error term.

OLS Results

Table 4.1 presents the regression results assessing the relationship between Foreign Direct Investment (FDI) and the number of corruption cases per 10 lakh individuals, with no controls included in the model. The coefficient for the variable “Number of Corruption Cases per 10 lakh individuals” is 2054.478, with a standard error of 1951.336. Although it suggests a positive relationship between FDI and corruption, it is statistically insignificant. The high standard error indicates substantial variability in the estimate, possibly due to unaccounted factors affecting FDI without control variables.

Table 4.1: Relationship Between FDI and Corruption with No Controls

Variable	Coefficient	Std. Error
Number of Corruption Cases		
per 10 lakh individuals	2054.478	1951.336
Cons	6926.887	8537.017
Controls	No	No
R squared Value	.0381	.0381
Fixed Effect	No	No

Notes: Robust standard errors in parentheses. *** p < 0.01, ** p < 0.05, * p < 0.1.

The model’s R-squared value is 0.0381, meaning that only 3.81% of the variation in FDI is explained by the number of corruption cases alone. No fixed effects were included, indicating that unobserved heterogeneity across observations has not been controlled for, potentially affecting the reliability of these results.

To make the regression more robust, we incorporate control variables, including Health, Infrastructure, the Number of Riots, GDP, the Gross Enrollment Ratio (GER), and Inflation. Table 4.2

presents the regression results analyzing the relationship between foreign direct investment (FDI) and corruption, with these controls included in the model.

Table 4.2: Relationship Between FDI and Corruption (Controls)

Variable	Coefficient	Std. Error
Corruption	2439.607*	1147.379
Health	68566.580*	30414.860
Infrastructure	-639.918*	298.380
Number of Riots	3687.007	1233.080
GDP	0.029***	0.006
GER	-96.179	350.369
Inflation	-1569.196	3134.539
Cons	-22194.180	17852.28
No. of Observations	26	26
R Squared	0.755	0.755
Fixed Effects	No	No

Notes: Robust standard errors in parentheses. *** p < 0.01, ** p < 0.05, * p < 0.1.

The coefficient for Corruption is 2439.607, with a standard error of 1147.379, indicating a positive and statistically significant relationship (the p-value is less than 0.05) with FDI at the 10% level. Therefore, when controlling for factors such as health, infrastructure, and economic indicators, an increase in corruption cases is associated with an increase in FDI, though the significance is marginal.

The model's R-squared value of 0.755 implies that 75.5% of the variation in FDI is explained by this model, indicating a strong fit with the inclusion of control variables. No fixed effects were applied, potentially leaving room for unobserved heterogeneity across observations.

I incorporate control variables and fixed effects in the regression to improve robustness. Table 4.3 presents the analysis results examining the relationship between Foreign Direct Investment (FDI) and corruption, with additional controls and fixed effects included. The vector δ_i denotes region-specific fixed effects, divided into North, East, South, West, and North East, allowing the model to account for unobserved regional heterogeneity.

Table 4.3: Relationship Between FDI and Corruption (Controls and Fixed Effect)

Variable	Coefficient	Std. Error
Corruption	2270.010	1582.997
Health	52350.510	36996.89
Infrastructure	-545.682	364.050
Number of Riots	4820.175*	2205.025
GDP	0.029***	0.008
GER	80.359	515.906
Inflation	-1145.070	5085.224
Cons	-37597.640	35617.410
No. of Observations	26	26
R Squared	0.810	0.810
Controls	Yes	Yes
Fixed Effects	Yes	Yes

Notes: Robust standard errors in parentheses. *** p < 0.01, ** p < 0.05, * p < 0.1.

The coefficient for Corruption is 2270.010 with a standard error of 1582.997, indicating a positive but statistically insignificant relationship with FDI. This suggests that, after accounting for control variables such as health, infrastructure, economic indicators, and region-specific fixed effects, the relationship between corruption and FDI remains positive but lacks statistical significance.

The model's R-squared value is 0.81, meaning that the model explains 81% of the variation in FDI, showing a slightly improved fit with the inclusion of fixed effects. The regional breakdown provides a more robust estimate of the corruption-FDI relationship by controlling for unobserved heterogeneity across different parts of the country.

However, the statistically insignificant relationship may be due to technical limitations rather than the absence of causality. Owing to the small sample size, there is the problem of reduced degrees of freedom – therefore, the model has several independent variables to estimate the effects accurately. However, we encounter significant standard errors and a lower likelihood of finding significance even if it exists.

Alternatively, the fixed effect may have partitioned the overall variation in FDI, leaving little “unexplained variation” to estimate the impact of corruption. If corruption levels are relatively similar across regions—or if the sample size is small—there may be limited cross-sectional variation left. As a result, the model may struggle to detect a statistically significant effect, leading to high standard errors and reduced statistical power.

Despite the above, some positive relationship exists between FDI and Corruption. The result is in line with the statement made by Ghose and Bhattacharya [7] that participating in corrupt activities was a lucrative way for foreign companies to set up their bases in India. It also supports the argument that because of complex tax laws and barriers to entry in the Indian economy, companies will continue to indulge in corrupt activities to speed up the process. Thus, bringing corruption into the picture, variations in FDI across states are better explained as hypothesized in section 2.3.

5. Conclusion

The following study investigates the link between corruption and FDI across Indian states, analyzing cross-sectional data from 2022 using a multiple regression model with fixed effects. The results reveal a statistically significant positive relationship between FDI inflows and corruption cases, with a coefficient of 2439.607, indicating that higher corruption levels are associated with increased FDI. The results align with the case of Maharashtra, which reported the highest FDI inflow in 2022 and had one of the highest corruption levels. As a result, we find that corruption, paradoxically, acts as a “lubricant” for navigating bureaucratic hurdles in India.

However, the study's scope is constrained by data limitations, including only 26 observations and the absence of longitudinal data to track trends over time. Additionally, regional fixed effects and unobserved heterogeneity may obscure other influential factors, such as nuanced state policies. Corruption-related data is also likely underreported due to systemic opacity and difficulty quantifying illicit practices, making the corruption variable we used an under-estimate of the actual corruption in the states. Despite these limitations, the study offers empirical evidence of bureaucratic inefficiency's significant role in shaping FDI distribution, providing

critical insights for policymakers aiming to foster equitable and transparent investment environments across Indian states. A more comprehensive panel data analysis of the Special Economic Zones of India and the corruption cases within them could help us further understand the relationship between FDI and Corruption, solving the issue of high-standard errors and giving us more robust results.

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Additional Sources

Fig. 1 source: FDI received – RBI RBI Overseas Investment Report (2022) and RBI Overseas Investment Report (2021); Number of corruption cases per 10 lakh individuals– NITI Aayog SDG report 2024
Fig 2: AIRIS Preliminary Structure CAD

Author Footnotes

¹Please refer to <https://www.investindia.gov.in/foreign-direct-investment> for further information.

²MNCs do not need government permission before investing in the market.

³RBI state level data bank (2022) for further details.

⁴See RBI Overseas Investment Report (2022) and RBI Overseas Investment Report (2021) for further details.

⁵See *All India Survey on Higher Education (AISHE) 2019-20* for further information.

⁶See *Crime in India 2022: Volume II*, page 779, for further details

⁷The Corruption Perceptions Index is an index that scores and ranks countries by their perceived levels of public sector corruption, as assessed by experts and business executives.

JEL Classification

F21, D73, O53