



Seminar

by

Dr. Meenakshi Rishi

=====

Associate Professor

Albers School of Business and Economics

Seattle University, Seattle WA 98122

" Foreign Direct Investment and Institutional Quality: Some
Empirical Evidence"

Venue: Madras School of Economics; Seminar Hall

Library Building Ground Floor

on

Monday 14th May 2012

At 3.30pm

Abstract

Based on a panel data analysis of 164 countries from 1996 to 2006, we examine the impact of institutional quality on foreign direct investment (FDI) levels and volatility. We find that good institutional quality matters to FDI. We provide evidence that institutional quality has a positive and significant effect on FDI. More specifically, we find that a one standard deviation change in institutional quality improves FDI by a factor of 1.69. Ceteris paribus, institutional quality is negatively and significantly associated with FDI volatility which may have an adverse effect on economic growth per Lensink and Morrisey (2006). Thus, our results suggest that if there are institutional determinants of FDI volatility and if such volatility is associated with lower economic growth, then the usual policy prescription of attracting FDI into countries by offering the “correct” macroeconomic environment would be ineffective without an equal emphasis on institutional reform.

Dr. Meenakshi Rishi is an associate professor in Economics at Seattle University. Dr. Rishi is a member of the American Economic Association (AEA) and is on the Board of the Association of Indian Economic and Financial Studies (AIEFS). Her scholarly work focuses on institutional approaches to development and international finance. Her publications include articles in the *International review of Financial Analysis*, *Journal of Development Studies*, *IMF Survey*, and the *Annals of Public and Cooperative Economics*.

Dr. Sreejata Banerjee

Associate Professor

Seminar Coordinator

Madras School of Economics