

ABSTRACT

Corruption is perceived to have a negative impact on foreign direct investment as it increases the cost of doing business. This paper attempts to validate this perception using an empirical study. A panel data model has been employed, across 156 countries around the world over the time period of 2006-2011, so as to verify the impact of corruption on FDI. Regression results confirm that FDI is attracted to countries that have low levels of corruption, larger market size, and more infrastructure facilities and is open to trade.

Key words: Foreign Direct Investment, Corruption, Panel Econometrics