

## ABSTRACT

The objective of the study is to find the determinants of FDI flows at the state-level in India during the years of 2005 to 2010. Panel-corrected standard errors have been used in order to correct for panel-specific heteroscedasticity and autocorrelation. To this effect, it was found that physical infrastructure, state income per capita and the share of industry in state's GSDP are all important state-level determinants. Quality of human capital also seems to be important in so far that the population is literate, but the level of urbanization does not play a beneficial role in attracting FDI flows. Political risk and governance infrastructure also plays a role. A cause for concern, however, is the persistently uneven distribution of FDI flows in India across states as relatively economically prosperous states with higher share of industry, literacy rate and bank intensity seem to attract a large majority of FDI, while other states lag behind.