IMPACT OF EASE OF DOING BUSINESS ON FDI INFLOWS ACROSS DIFFERENT ECONOMIES

Ms. Mary Femina K S
Student, Master of Business Administration, School of Business and Management-BGR, CHRIST (Deemed to be University), BGR Campus, Bannerghatta Main Road, Hulimavu, Bengaluru - 560 076, Karnataka, India.
Mobile: +91 9894855409
Email: maryfemina.ks@mba.christuniversity.in

Dr. Anand Patil
Associate Professor, School of Business and Management-BGR, CHRIST (Deemed to be University), BGR Campus, Bannerghatta Main Road,
Hulimavu, Bengaluru - 560 076, Karnataka, India. Cabin 366 (O) 080465515
Mobile: +91 9845083363
Email: anand.patil@christuniversity.in

Dr. K.A.Maria John Joseph
Associate Professor & Head PG & Research Department of commerce,
Sacred Heart College (Autonomous), Tirupattur, Tamil Nadu.
Email: mariajohn@shctpt.edu

Mrs. Jenova Mary T
Research Scholar, Sacred Heart College (Autonomous), Tirupattur, Tamil Nadu.
Mobile: 91485 29707
Email: jenothomas.07@gmail.com

ABSTRACT

The research study looks at the influence of Doing Business on Inward Foreign Direct Investments from 2010 to 2020 across the globe. This research assesses the ease of conducting business by examining the process of ten parameters: Starting a Business, Getting Credit, registering property, Paying taxes, Trading across borders, resolving insolvency, Enforcing contracts, Protecting Minority Investors, Getting Electricity, and Dealing with Construction Permits. The study drew a sample of 211 nations from the World Bank's list. To investigate the causal link between the Country's Ease of doing business, Foreign Direct investment, and the growth of the economy, the least square regression model was employed in conjunction with the Eviews program. The Findings of the study discovered that the ease of doing business had a positive substantial influence on inward Foreign Direct Investment and the Foreign Direct Investment inflows have a substantial influence on the country's Gross Domestic Product Growth which will help international managers and businesses to understand the relevance of ease of doing business while investing in other countries through FDI. According to the study's

results, the ease of conducting business and sustainability facilitates inbound FDI by improving all the indicators of the Ease of Doing Business across three different economies. The index of doing business rankings of every country across the globe significantly plays a vital role for MNC companies such as the time, procedures, and the cost it takes for computation, paying tax, and registration for lands which can be controlled by the Government. The results of the regression analysis show that the effect of the Ease of Doing Business rankings on Foreign Direct Investment is a predominantly greater influence for developing economies compared to the developed as well as the transition economies. The requirement for ease of doing business is to initiate FDI, which is a crucial trigger for economic growth and also accounts for a significant non-debt financial resource for any nation's economic boost

JEL Classification - F02, F44, P45, E32, F40

Keywords - Foreign Direct Investments Inflows, Ease of Doing Business, Sustainability, Economy, Business Life cycle.

INTRODUCTION

In this modern era, inward foreign direct investments have been the most attractive across the globe nowadays. The World Bank provides the 10 elements of Business regulation to calculate the Country's Doing Business index for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, and enforcing contracts and resolving insolvency. The relations between Foreign Direct Investments and the ten parameters of the business regulation help the firm or any of the organizations to address the concerns of investment decisions in foreign nations. The advantages of doing business in every country will enhance the producers inside as well as outside the countries.

The organization that is expanding its business in other countries not only provides jobs for the employees but also enforces digital technology in the country. The approach to increasing the opportunities for the growth of the economy will enable the reduction in corruption and overcomes the implications of the reduced cost of transactions.

Doing Business index scores are calculated based on the procedure, time, and cost to implement or register the things in the country. The country which reduces the procedure, time, and cost will score more compared to the other countries which also helps the investors to easily enter the country where they can enjoy the additional benefits. The procedures, time, and cost can be reduced by implementing digital technologies into the system to make it easy for investors to expand their business into the country.

The indicators of Ease of Doing Business which are released annually by the World Bank enforce the foreign business entity that the Government can directly control. Across the three economies, the Ease of Doing Business indicators that affects Foreign direct investments are quite different from each other. Therefore in this study, we have mapped the developed, developing, and transition economies with the different Business life cycle stages which helps the investors to make the decision on choosing the economy which will benefit them in the long run of their journey. The Governments are struggling to improve the laws and regulations

for attracting more FDI into their country. The ten parameters of the Ease of doing business is also one of the ways to improve themselves to attract FDI into their country.

REVIEW OF LITERATURE

Previous research has advanced understanding of the impact of ease of doing business on inward FDI. Piwonski (2010) investigated how ease of doing business factors in nations impact FDI. The study employed country rankings as a metric for conducting business by employing a multivariate regression model. The study discovered a substantial relationship between the factors and FDI. Starting a business, dealing with building licenses, registering property, obtaining finance, safeguarding investors, trading across borders, and enforcing contracts indices were shown to be directly and strongly related to FDI inflows in Asian nations (Shahadan et al, 2014). However, it should be highlighted that the bulk of empirical research employs the entire Ease of Doing Business indicators to study the link between a country's business regulatory structure and its attractiveness to foreign investment.

According to a few studies that particularly study the many themes or dimensions of the Ease of Doing Business, the positive connection with FDI is mostly attributable to certain themes or sub-indicators (Morris & Aziz, 2011; Olival, 2012). Previous research has shown that as all indications of establishing a firm fall, it draws higher FDI inflows. As a result, the greater the ease with which it is to establish a firm, the greater the quantity of FDI that happens in an economy. However, because not all nations are homogeneous, this finding differs per country but is relevant to the bulk of the economy. In Ethiopia, it was discovered that the cost, time, and procedure associated with launching a business were strongly confirming that reductions in these parameters significantly improved FDI inflow (MogesEbero & Begum, 2016). This outcome was also observed in the economies of Bangladesh, Pakistan, India, Iran, Sri Lanka, and Afghanistan (Shahadan et al., 2014). Registering Property indicator analyses the amount of time, money, and processes associated with registering property, based on the assumption of a typical situation of an entrepreneur wishing to acquire a building and land that are already registered and free of title disputes (The World Bank, 2021).

According to ylius and Basheka (2014), it also allows a clearer attribution of changes that would better serve the political cycle and restrict competition through the ranking of indicators, which might stimulate involvement in less visible but more significant reforms. There is a desire for knowledge about the features and policies of the country that would attract FDI, as most political leaders regard FDI as a good indicator of a country's progress. Governments are working hard to strengthen rules, policies, and roles, as well as to provide a simple and secure environment. the atmosphere in which to do business They are also having difficulty bringing modifications to the legislation for their own gain and to encourage FDI As a result, the World Bank's action Data is being analyzed using Business Indexes (DBI) to alleviate these problems. Indicators from the World Bank (DBI) are any and all laws or processes pertaining to the functioning of a foreign corporate organization that the government has direct authority over (Shahadan et al., 2014).

Ease of conducting business benefits both native and international producers. The advantages of local enterprises become evident when one considers that international businesses will not only give jobs but will also introduce new technologies into a country. Furthermore, access to

economic possibilities, a reduction in corruption, and the implications of decreased transactional costs are viewed as contributing elements to the ease of doing business (The Friedrich Naumann Foundation, 2017; European Commission, 2017). In developing nations, Bayraktar (2015) discovered that reducing the number of processes, shortening the time required, and lowering the cost of registering property results in an increase in FDI inflows. Morris and Aziz (2011), as well as Kofarbai and Bambale (2016), showed that registering property was connected to an increase in inward FDI in an economy.

According to Olival (2012), a focus is formed on nations with high-quality institutions that guarantee the protection of property rights. Individual estimates revealed that registering property indicators has an influence on inward FDI and is most relevant to it (Olival, 2012). Another study, conducted by Akame et al. (2016), found that registering property significantly increased FDI inflows. They also claim that when the index for registering property improves by one unit, inward FDI increases by 1.1 percent (Akame et al., 2016). According to Bayraktar (2015), obtaining credit indicators are extremely significant predictors of FDI inflows, and countries with superior getting credit indicators can get a bigger quantity of FDI inflows. Obtaining credit clearly affects an increase in FDI flows, as evidenced by significant studies undertaken by Piwonski (2010); Morris & Aziz, (2011); Singh (2015); Bayraktar (2015); MogesEbero & Begum (2016), which also discovered that strengthening company practices aid to attract more FDI. In their research, Shahadan also shows that credit indices are directly and strongly related to FDI inflows into Asian nations (Shahadan et al., 2014). However, Akame and colleagues' study indicates that positive credit-related factors have no meaningful influence on FDI (Akame et al., 2016). Domestic and international tax policies influence the incentive to engage in FDI (Fahmi, 2012). Indicators of tax payment in Afghanistan, Bangladesh, India, Iran, Pakistan, and Sri Lanka have indicated indications of significant FDI inflows (Shahadan et al., 2014).

According to Moosa (2002), one method through which tax regulations influence multinational companies' decision-making is the impact tax has on revenue produced from international operations on net return on foreign investment. Because, as compared to nations with lower income tax rates, countries with higher income tax rates would entice enterprises to invest outside, taxes have little impact on the initial choice to invest abroad (Fahmi, 2012). However, because the foreign market is inherently competitive, export-oriented FDI is more susceptible to cost factors. As a result, changes in tax rates will have a major influence on investment decisions (Fahmi, 2012). Several studies have demonstrated that this assertion is accurate for the majority of countries (Singh, 2015; Bayraktar, 2015; Akame et al., 2016; MogesEbero & Begum, 2016).

According to Bayraktar's findings, indices of contract enforcement (the number of processes and necessary days) have a reasonably high influence on FDI inflows. However, the cost of enforcing contracts was shown to be negligible (Bayraktar, 2015). In Zimbabwe, Mahuni and Bonga (2017) discovered comparable results to Bayraktar (2015) in terms of FDI influx. As a result, nations such as South Africa, Namibia, and Zambia were discovered to have a relatively solid legal framework for contract enforcement (Nnadozie & Njuguna, 2011). It has been discovered that reducing the time required to enforce contracts promotes FDI growth (Eifert, 2009; Singh, 2015). In a summary, multiple studies have demonstrated that indicators

of Enforcing Contracts have a beneficial influence on inbound FDI (Zhang, 2007; Morris & Aziz, 2011; Singh, 2015; Mahuni & Bonga, 2017).

Contrary to this conclusion, Olival (2012) and MogesEbero & Begum (2016) discovered that contract enforcement is no longer important in recruiting FDI. According to empirical research, FDI is sensitive to the host country's general economic policies, especially its tax policy (Sahoo, 2006). However, given the falling marginal returns to physical capital in the long term, the recipient economy may converge to a steady-state growth rate as if FDI had never occurred, leaving no permanent influence on the country's development. Because of the implementation of globalization and liberalization trade policies and exchange rate regimes, the volume of FDI has risen in practically every country. International mobility of production factors, including FDI, is an ideal alternative for exports. FDI may have a favorable influence on commerce if the mobility of factors shifts to a nation with a scarcity. Some economic theory contributions stress the link between FDI and trade as complementary to one another. In the case of vertical FDI, there exist complementarities between trade flows of finished commodities and intra-firm transfers of intermediate goods. The nature of the link between trade and foreign direct investment is concerned with variations between nations, such as factor endowments and technical capabilities.

RESEARCH GAP

Most of the studies focused on Nigerian and South African countries are analyzed in the previous research. These studies failed to through light on how doing business helps the nation to attract more FDI to boost the economic growth of the nation. Therefore this paper is an attempt to understand the impact of EODB influences FDI from which the economy is benefitted. This became important when the pandemic occurred.

Our study is to overcome the research gap and find out which economy (Developed, Developing, and Transition) has the maximum effect on GDP by FDI and EODB by keeping sustainability as major consideration which will help the investors to decide which economy to focus on expanding their business by keeping the long term in mind.

3. RESEARCH METHODOLOGY

This article consists of the annual observation over eleven periods (i.e) from 2010 to 2020 across different countries belonging to different economies. There is no accord in observing patterns of the Foreign Direct Investments Determinants (Blonigen & Piger, 2011)The Econometric model is used here as follows,

$$FDI = \alpha + \beta\,(Doing\ Business) + IX + \varepsilon(1)$$

Where

FDI = Inward Foreign Direct Investment attracted by country I at a time period t;

Doing Business = Doing Business Score of each country at a time period t;

X= Control Variables (ten parameters)

ε = Error Term

3.1 RESEARCH OBJECTIVES

Fundamentally, the study intends to investigate how variances in FDI Inflows are explained by

different economies doing business indices, specifically which indicators are substantially relevant. In addition to the doing business metrics, the research aims to establish the extent to which corruption influences FDI inflows variances within member countries. All of this helps to understand what member states should do to ensure the increase in FDI inflows, as its success is obviously dependent on how these twin challenges are effectively addressed.

- ❖ To know the impact of Ease of Doing Business on Foreign Direct Investment(FDI)
- ❖ To analyze the regions for the differential impact of Ease of Doing Business in different geographical areas.
- ❖ To know the impact of Ease of doing business and its effect on Economic Development.

3.2 RESEARCH QUESTIONS

- ❖ Do the ease of doing business scores increase the FDI inflows of the different economies?
- ❖ Are different parameters of the Ease of doing business impacting the differently on different economies?
- ❖ Do the FDI inflows impact the growth of the economy?

3.3 RESEARCH HYPOTHESIS

Hypothesis 1

H0: Ease of Doing Business is an insignificant predictor of the FDI inflows in three different economies.
H1: Ease of Doing Business is a significant predictor of the FDI inflows in three different economies.

Hypothesis 2

H0: Foreign Direct Investment inflows are an insignificant predictor of the Gross Domestic Product growth in three different economies.
H1: Foreign Direct Investment inflows are an insignificant predictor of the Gross Domestic Product growth in three different economies.

Hypothesis 3

H0: The ten parameters of Ease of doing business is an insignificant predictor of the FDI inflows in three different economies.
H1: The ten parameters of Ease of doing business is an significant predictor of the FDI inflows in three different economies.

3.4 VARIABLE DESCRIPTIONS

Type of Research - Secondary Research
The study uses the pre-existing data in order to improve the overall efficacy of the research.

Variables for the Study:

Independent Variable - FDI, Eodb Scores, Starting a Business, Enforcing Contracts, Paying taxes, Registering Property, Getting Electricity, Getting credit, Resolving Insolvency, Dealing with Construction Permits, Trading across the borders, and Getting Credit.

Dependent Variable - Economic Growth of the Countries (GDP).

3.5 DATA SOURCE OF VARIABLES

Data Source: World Bank Report	
Variables	
FDI & Economy Growth(GDP)	Getting credit
Ease of Doing Business Scores	Resolving Insolvency
Starting a Business	Dealing with Construction Permits
Enforcing Contracts	Trading across the borders and
Paying taxes	Protecting Minority Investors
Registering Property	Getting Electricity

*Source: United Nations Conference on Trade and Development

3.6 SAMPLING

The data are collected from the authorized websites of the Government which will give accurate results. There are 211 countries taken into the study across three economies Developed, Developing, and Transition. The sampling method used here is cluster sampling.

Cluster Sampling - Cluster sampling comes under probability sampling where the entire population has been divided into clusters that represent the population. In this study, all the 211 countries are clustered based on the three different economies (Developed, Developing, and Transition) for further analysis.

Economy	Total Countries
Developed	48
Developing	146
Transition	17
Total	211

3.7 DATA

Table 3.6.1 Cluster sampling

The data consists of the countries as well as the time taken into the account for analysis.

Time-Series: The time period that has taken for the study The total time period that has taken for the study is 11 years.

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020

The countries that are taken into the study are stated below:

COUNTRIES			
Afghanistan	Ecuador	Lebanon	Russian Federation
Albania	Egypt, Arab Rep.	Lesotho	Russian Federation Moscow
Algeriya	El Salvador	Liberia	Russian Federation Saint Petersburg
Angola	Equatorial Guinea	Libya	Rwanda
Antigua and Barbuda	Eritrea	Liechtenstein	Samoa
Argentina	Estonia	Lithuania	San Marino
Australia	Eswatini	Luxembourg	São Tomé and Príncipe
Armenia	Ethiopia	Madagascar	Saudi Arabia
Austria	Fiji	Malawi	Senegal
Azerbaijan	Finland	Malaysia	Serbia
Bahamas	France	Maldives	Seychelles
Bahrain	Gabon	Mali	Sierra Leone
Bangaladesh Dhaka	Gambia, The	Malta	Singapore
Barbados	Georgia	Marshall Islands	Slovak Republic
Belarus	Germany	Mauritania	Slovenia
Belgium	Ghana	Mauritius	Solomon Islands
Belize	Greece	Mexico	Somalia
Benin	Grenada	Mexico Mexico City	South Africa
Bhutan	Guatemala	Mexico Monterrey	South Sudan
Bolivia	Guinea	Micronesia, Fed. Sts.	Spain
Bosnia & Herzegovina	Guinea-Bissau	Moldova	Sri Lanka
Botswana	Guyana	Mongolia	St. Kitts and Nevis
Brazil	Haiti	Montenegro	St. Lucia
Brazil Rio de Janeiro	Honduras	Morocco	St. Vincent and the Grenadines
Brazil São Paulo	Hong Kong SAR, China	Mozambique	Sudan
Brunei Darussalam	Hungary	Myanmar	Suriname
Bulgaria	Iceland	Namibia	Sweden

Burkina Faso	India	Nepal	Switzerland
Burundi	India Delhi	Netherlands	Syrian Arab Republic
Cabo Verde	India Mumbai	New Zealand	Taiwan, China
Cambodia	Indonesia	Nicaragua	Tajikistan
Cameroon	Indonesia Jakarta	Niger	Tanzania
Canada	Indonesia Surabaya	Nigeria	Thailand
Central African Republic	Iran, Islamic Rep.	Nigeria Kano	Timor-Leste
Chad	Iraq	Nigeria Lagos	Togo
Chile	Ireland	North Macedonia	Tonga
China	Israel	Norway	Trinidad and Tobago
China Beijing	Italy	Oman	Tunisia
China Shanghai	Jamaica	Pakistan	Turkey
Colombia	Japan	Pakistan Karachi	Uganda
Comoros	Japan Osaka	Pakistan Lahore	Ukraine
Congo, Dem. Rep.	Japan Tokyo	Palau	United Arab Emirates
Congo, Rep.	Jordan	Panama	United Kingdom
Costa Rica	Kazakhstan	Papua New Guinea	United States
Côte d'Ivoire	Kenya	Paraguay	United States Los Angeles
Croatia	Kiribati	Peru	United States New York City
Cyprus	Korea, Rep.	Philippines	Uruguay
Czech Republic	Kosovo	Poland	Uzbekistan
Denmark	Kuwait	Portugal	Vanuatu
Djibouti	Kyrgyz Republic	Puerto Rico	Venezuela, RB
Dominica	Lao PDR	Qatar	Vietnam
Dominican Republic	Latvia	Romania	West Bank and Gaza
	Yemen, Rep.	Zambia	Zimbabwe

Developed Countries* **Developing Countries*** **Transition countries***

Table 3.7.1 List of Countries in across three different economies

The above are the countries that are taken into the study for analyzing the FDI inflows and GDP growth of the three different economies.

3.7.1 Data Analysis Tools

Data Collection - Excel
Data Analysis - E-Views; Data Visualization - Tableau
Statistical tool- Regression Analysis

4. DATA ANALYSIS

4.1 GROSS DOMESTIC PRODUCT (GDP) & FDI INFLOWS

The analysis of all the economies together, the coefficients reflect the change in the dependent variable (GDP Growth) for every 1% change in an explanatory variable (FDI Inflows) i.e. for a 1 percent increase in the FDI Inflows, GDP increases significantly (p-value = 0.00377) by 0.001546 percent.

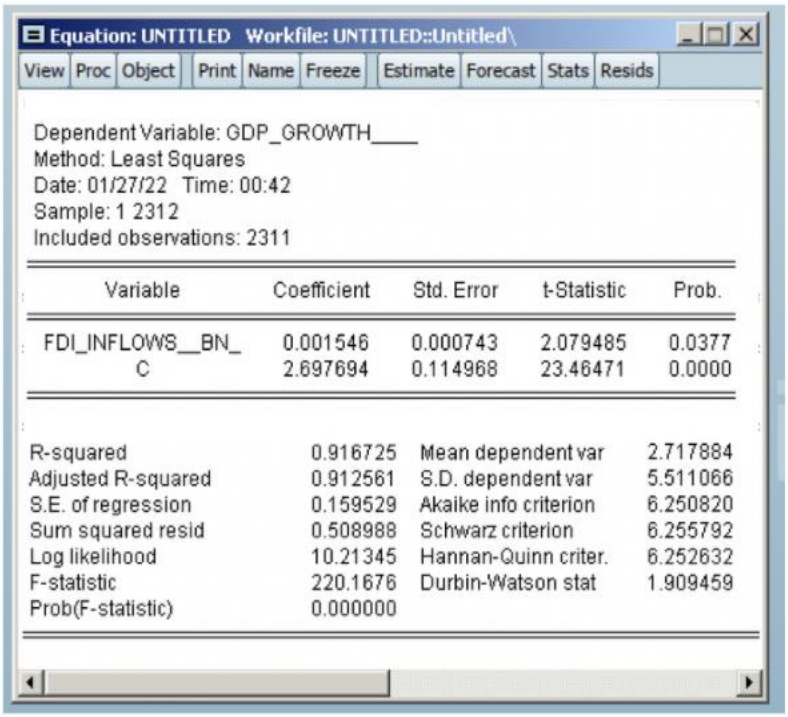

Fig 4.1.1. GDP Vs FDI Inflows

However, FDI inflows are significant predictors of GDP growth across all three different economies. Here GDP and FDI have a positive correlation where the probability is lesser than 0.05, it indicates that the FDI inflows are the significant predictors of the Gross Domestic Product Growth.

In the figure, R-Squared (R^2 or the coefficient of determination) is a statistical measure in a regression model that determines the proportion of variance in the dependent variable(GDP) that can be explained by the independent variable(FDI inflows). The most common

interpretation of r-squared is how well the regression model fits the observed data. Here, an r-squared of 91.6% reveals that 91.6% of the data fit the regression model. Generally, a higher r-squared indicates a better fit for the model. Here R- squared is higher and it fits the model better.

By the thumb of the rule, The Durbin Watson test result should be between 1.5 and 2.5, which indicates that there is no Autocorrelation. A Durbin Watson test value is between 1.5-2.5 indicates that there is no autocorrelation. When the value is below 1.5, it indicates a positive autocorrelation, and a value higher than 2.5 indicates a negative serial correlation. In the analysis, the Durbin Watson test is equal to 1.909, which indicates that this analysis has no autocorrelation.

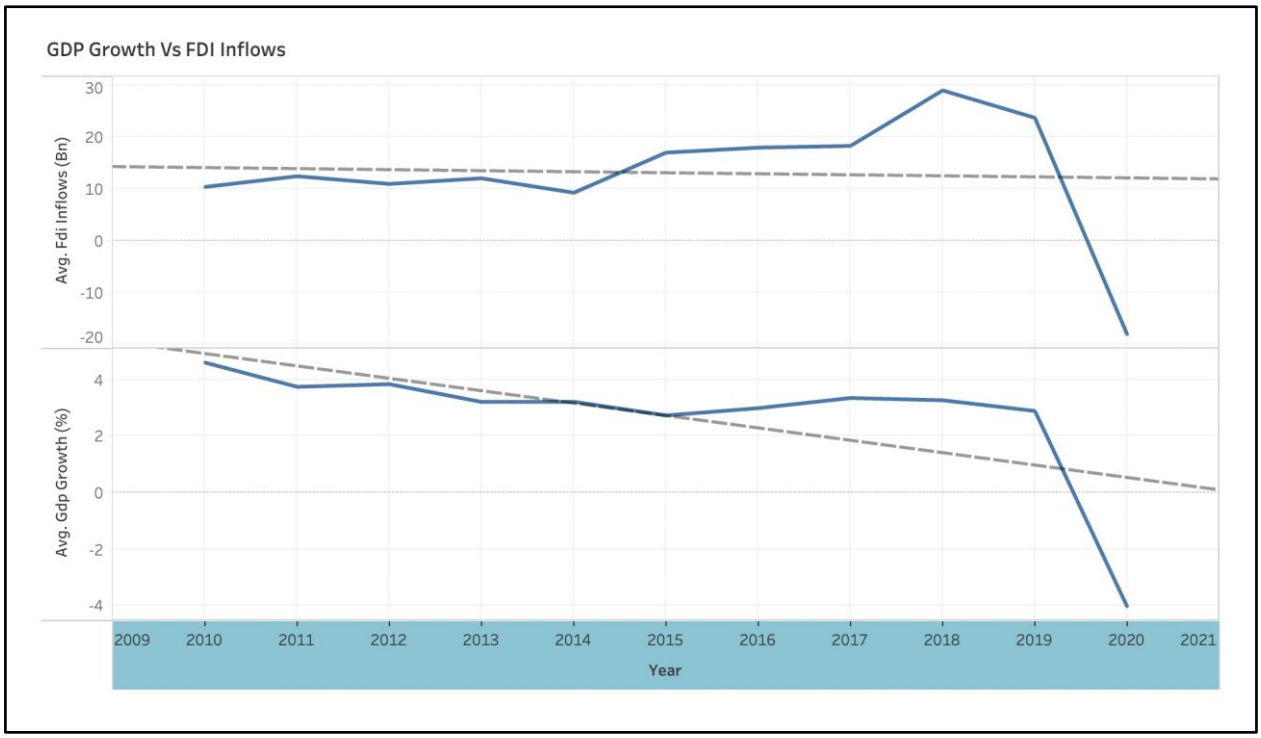

Fig 4.1.2. Average Performance GDP Vs FDI Inflows

It is clear from the trend analysis, that the average GDP growth and FDI inflows of the year 2010 to 2020 have a positive correlation and move in the same direction.

4.2 FDI INFLOWS & EASE OF DOING BUSINESS

The analysis all the economies together, the coefficients reflect the change in the dependent variable (FDI inflows) for every 1% change in an explanatory variable (Ease of Doing Business) i.e. for a 1 percent increase in the FDI Inflows, EODB increases significantly (p-value = 0.0031 by 0.716 percent.

However, Ease of Doing Business Scores is significant predictors of FDI inflows across 211 countries. Here EODB and FDI have a positive correlation where the probability is lesser than 0.05, which indicates that the Ease of Doing Business is the significant predictor of the FDI Inflows.

In the figure, R-Squared (R^2 or the coefficient of determination) is a statistical measure in a regression model that determines the proportion of variance in the dependent variable (FDI Inflows) that can be explained by the independent variable(Ease of Doing Business). The most common interpretation of r-squared is how well the regression model fits the observed data. Here, an r-squared of 93.25% reveals that 93.25% of the data fit the regression model. Generally, a higher r-squared indicates a better fit for the model. Here R- squared is higher and it fits the model better. By the thumb of the rule, The Durbin Watson test result should be between 1.5 and 2.5, which indicates that there is no Autocorrelation. When the value is below 1.5, it indicates that there is a positive autocorrelation, and a value higher than 2.5 indicates a negative serial correlation. In the analysis, the Durbin Watson test is equal to 1.81, which indicates that this analysis has no autocorrelation. When we see the trend analysis, it clearly shows that the average EODB and FDI inflows of the year 2010 to 2019 have a positive correlation and move in the same direction. But in 2020, the COVID pandemic outbreak has resulted in the downfall of FDI inflows but the Ease of doing business has seen growth even in 2020, due to some of the technical or digital implementation of Single window clearance systems.

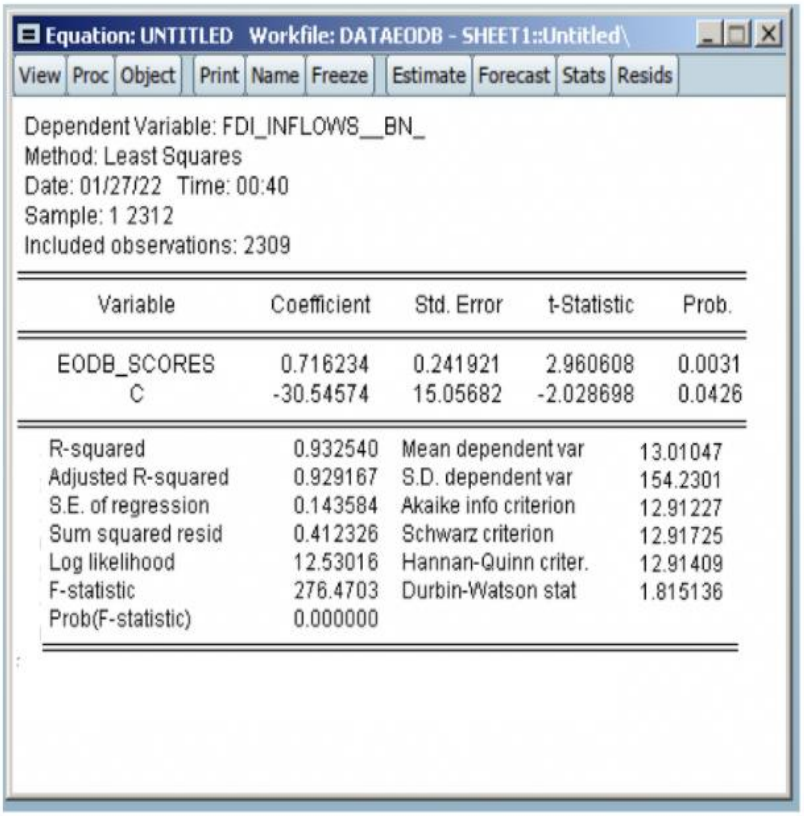

Fig 4.2.1. FDI Inflows VS EODB

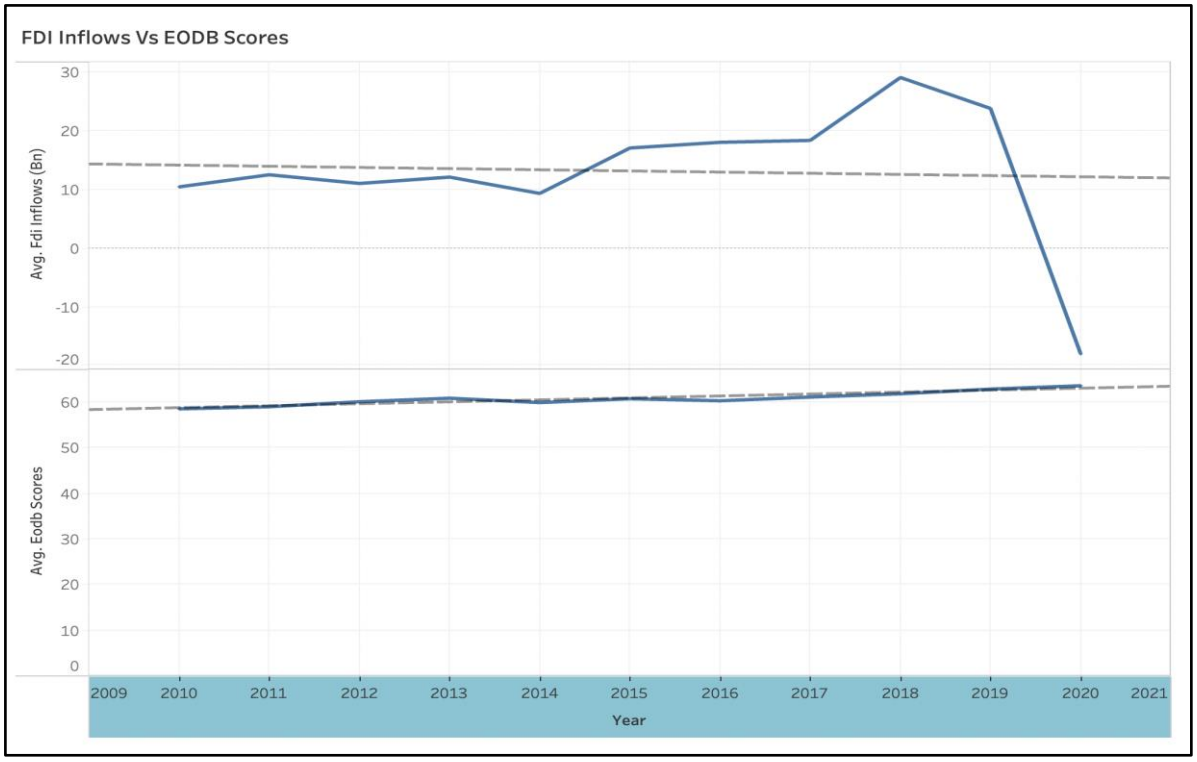

Fig 4.2.1. Average Performance EODB Vs FDI Inflows

4.3 REGRESSION ANALYSIS ON FDI & EODB PARAMETERS

Factors (FDI) - Dependant	Developed Economy		Developing Economy		Transition Economy	
	Probability	Coefficient	Probability	Coefficient	Probability	Coefficient
EODB	0.000	1.399	0.000	15.47	0.000	0.0432
Starting A Business	0.000	0.7765	0.000	4.0579	0.3199	0.04986
Dealing with Construction Permits	0.000	0.490	0.001	5.080	0.000	0.03
Getting Electricity	0.011	0.484	0.000	9.62	0.02	0.029
Registering Property	0.0923	-0.9107	0.002	12.42	0.001	0.035
Getting Credit	0.0292	0.5849	0.0001	1.899	0.002	0.025
Protecting	0.442	-0.90	0.0003	1.021	0.0004	0.0194

Minority Investors						
Paying Taxes	0.0002	0.699	0.005	5.65	0.805	0.002
Trading Across Borders	0.0002	0.76	0.0001	2.496	0.004	0.015
Enforcing Contracts	0.63	-1.727	0.000	0.0386	0.0014	1.08
Resolving Insolvency	0.514	-2.27	0.019	0.75	0.002	0.0023

Table 4.3.1 FDI inflows Vs Independent Variables

(I) FDI Vs EODB

The coefficients reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Ease of Doing Business) i.e. In a Developed economy, for a 1 percent increase in the Ease of Doing Business scores, FDI inflows increase significantly (p-value = 0.0000) by 1.399 percent. However, Ease of Doing Business is a significant predictor of FDI Inflows. In a Developing economy, for a 1 percent increase in the Ease of Doing Business scores, FDI inflows increase significantly (p-value = 0.0000) by 15.477 percent. In a Transition Economy, for a 1 percent increase in the Ease of Doing Business scores, FDI inflows increase significantly (p-value = 0.0000) by 0.043 percent. However, the Ease of Doing Business is a significant predictor of FDI Inflows. Here all the three economies which are Developed, Developing & Transition economies in which EoDB are the significant predictors of the FDI inflows. In the transition economies, the Ease of Doing Business is the significant predictor of FDI inflows but FDI inflows are not the significant predictor of Growth in the Economy(GDP) which other factors may involve in the economic growth.

(II) FDI INFLOWS & STARTING A BUSINESS

The coefficients reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Starting a Business) i.e. In a Developed economy, for a 1 percent increase in the Ease of Doing Business scores, FDI inflows increase significantly (p-value = 0.0000) by 0.7765 percent. However, Starting a Business is a **significant** predictor of FDI Inflows. In a Developing economy, for a 1 percent increase in the Starting a Business scores, FDI inflows increase significantly (p-value = 0.0000) by 4.05 percent. In a Transition Economy, for a 1 percent increase in the Starting Business scores, FDI inflows increase significantly (p-value = 0.319) by 0.049 percent. However, Starting Business scores are not a significant predictor of FDI Inflows. Here Both Developed and Developing economies are the significant predictors of FDI inflows whereas Transition economies are not the significant predictors of FDI inflows.

(III) FDI INFLOWS & DEALING WITH CONSTRUCTION PERMITS

The coefficients to reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Dealing with construction Permits) i.e. In a Developed economy, for a 1 percent increase in the Dealing with Construction Permits, FDI inflows increase significantly (p-value = 0.0000) by 0.49 percent. However, Dealing with Construction Permits is a significant predictor of FDI Inflows. In a Developing economy, for a 1 percent increase in the Dealing with Construction Permits, FDI inflows increase significantly (p-value = 0.0000) by 5.08 percent. In a Transition Economy, for a 1 percent increase in the Dealing with Construction Permits, FDI inflows increase significantly (p-value =0.000) by 0.0385 percent. However, Dealing with Construction Permits is a significant predictor of FDI Inflows. Here all the three economies which are Developed, Developing, and Transition economies, in which Dealing with construction permits are the significant predictors of the FDI inflows into the different regions.

(IV) FDI INFLOWS & GETTING ELECTRICITY

The coefficients reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Getting Electricity) i.e. In a Developed economy, for a 1 percent increase in the Getting Electricity, FDI inflows increase significantly (p-value = 0.0111) by 0.48 percent. However, Getting Electricity is a significant predictor of FDI Inflows. In a Developing economy, for a 1 percent increase in the Getting Electricity, FDI inflows increase significantly (p-value = 0.0000) by 9.62 percent. In a Transition Economy, for a 1 percent increase in the Getting Electricity, FDI inflows increase significantly (p-value =0.02) by 0.029 percent. However, Getting Electricity is a significant predictor of FDI Inflows. Here all the three economies which are Developed, Developing, and Transition economies, in which Getting Electricity are the significant predictors of the FDI inflows into the different regions.

(V) FDI INFLOWS & REGISTERING PROPERTY

The coefficients reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Registering Property) i.e. In Developed economies, for a 1 percent increase in the Registering Property, FDI inflows decline significantly (p-value = 0.00923) by 0.91 percent. However, Registering Property is a significant predictor of FDI Inflows. In a Developing economy, for a 1 percent increase in the Registering Property, FDI inflows increase significantly (p-value = 0.0000) by 12.4 percent. In a Transition Economy, for a 1 percent increase in the Registering Property, FDI inflows increase significantly (p-value =0.00) by 0.035 percent. However, Registering Property is a significant predictor of FDI Inflows. Here all the three economies which are Developed, Developing, and Transition economies, in which Registering Property are the significant predictors of FDI inflows.

(VI) FDI INFLOWS & GETTING CREDIT

The coefficients reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Getting Credit) i.e. In a Developed economy, for a 1 percent increase in the Getting Credit, FDI inflows increase significantly (p-value = 0.000) by 0.02 percent. However, Getting Credit is a significant predictor of FDI Inflows. In a Developing economy, for a 1 percent increase in the Getting Credit, FDI inflows increase significantly (p-

value = 0.0000) by 1.8 percent. In a Transition Economy, for a 1 percent increase in the Getting Credit, FDI inflows increase significantly (p-value =0.00) by 0.0255 percent. However, Getting Credit is a significant predictor of FDI Inflows. Here all the three economies which are Developed, Developing, and Transition economies, in which Getting Credit are the significant predictors of FDI inflows across different regions.

(VII) FDI INFLOWS & PROTECTING MINORITY INVESTORS

The coefficients reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Protecting minority investors) i.e. In Developed economies, for a 1 percent increase in the Protecting minority investors, FDI inflows decrease significantly (p-value = 0.4423) by 0.02 percent. However, Protecting minority investors is not a significant predictor of FDI Inflows. In a Developing economy, for a 1 percent increase in the Protecting minority investors, FDI inflows increase significantly (p-value = 0.0000) by 1.02 percent. In a Transition Economy, for a 1 percent increase in the Protecting minority investors, FDI inflows increase (p-value =0.00) by 0.0194percent significantly. However, Protecting minority investors is a significant predictor of FDI Inflows. Here, Developing and Transition economies, in which Protecting minority investors are the significant predictors of FDI inflows across different regions. But in Developed countries, it is an insignificant predictor of FDI.

(VIII) FDI INFLOWS & PAYING TAXES

The coefficients reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Paying Taxes) i.e., In Developed economy, for a 1 percent increase in the Paying Taxes, FDI inflows increase significantly (p-value = 0.0002 by 0.699 percent. However, Paying Taxes is a significant predictor of FDI Inflows. In a Developing economy, for a 1 percent increase in the Paying Taxes, FDI inflows increase significantly (p-value = 0.0055) by 5.655 percent. In a Transition Economy, for a 1 percent increase in the Paying Taxes, FDI inflows decline significantly (p-value =0.8051) by 0.002724 percent. However, Paying Taxes is not a significant predictor of FDI Inflows. Here, economies that are Developed, and Developing economies, in which Paying Taxes are the significant predictors of FDI inflows across different regions. But in Transition countries, it is an insignificant predictor of FDI.

(IX) FDI INFLOWS & TRADING ACROSS BORDERS

The coefficients reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Trading Across Borders) i.e. In a Developed economy, for a 1 percent increase in the Paying Taxes, FDI inflows increase significantly (p-value = 0.0002) by 0.761 percent. However, Trading Across Borders is a significant predictor of FDI Inflows. In a Developing economy, for a 1 percent increase in the Trading Across Borders, FDI inflows increase significantly (p-value = 0.0000) by 2.496 percent. In a Transition Economy, for a 1 percent increase in the Trading Across Borders, FDI inflows increase significantly (p-value =0.00) by 0.0151 percent. However, Trading Across Borders is a significant predictor of FDI

Inflows. Here, economies that are Developed, Developing & Transition economies, in which Trading Across Borders are the significant predictors of FDI inflows across different regions.

(X) FDI INFLOWS & ENFORCING CONTRACTS

The coefficients reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Enforcing Contracts) i.e. In Developed economy, for a 1 percent increase in the Enforcing Contracts, FDI inflows decline significantly (p-value = 0.6357) by 1.727 percent. However, Enforcing Contracts is not a significant predictor of FDI Inflow in developed economies.
In a Developing economy, for a 1 percent increase in the Enforcing Contracts, FDI inflows increase significantly (p-value = 0.0000) by 0.0386 percent. In a Transition Economy, for a 1 percent increase in the Enforcing Contracts, FDI inflows increase significantly (p-value =0.0014) by 1.0897 percent. However, Enforcing Contracts is a significant predictor of FDI Inflows.
Here, economies that are, Developing & Transition economies, in which Enforcing Contracts are the significant predictors of FDI inflows across different regions whereas Developed economy is the insignificant predictor of FDI inflows.

(XI) FDI INFLOWS & RESOLVING SOLVENCY

The coefficients reflect the change in the dependent variable (FDI Inflows) for every 1% change in an explanatory variable (Resolving Insolvency) i.e. In a Developed economy, for a 1 percent increase in the Paying Taxes, FDI inflows decline significantly (p-value = 0.514) by 2.27 percent. However, Resolving Insolvency is not a significant predictor of FDI Inflows. In a Developing economy, for a 1 percent increase in the Resolving Insolvency, FDI inflows increase significantly (p-value = 0.0194) by 0.75 percent. However, Resolving Insolvency is a significant predictor of FDI Inflows in Developing economies. In a Transition Economy, for a 1 percent increase in the Resolving Insolvency, FDI inflows increase significantly (p-value =0.00) by 0.023 percent. However, Resolving Insolvency is a significant predictor of FDI Inflows. Here, economies that are Developing & Transition in which Resolving Insolvency are the significant predictors of FDI inflows across different regions.

4.4 REGRESSION ANALYSIS OF GDP & FDI INFLOWS

Factors (GDP) - Dependant	**Developed Economy**		**Developing Economy**		**Transition Economy**	
	Probability	**Coefficient**	**Probability**	**Coefficient**	**Probability**	**Coefficient**
FDI Inflows	0.0099	0.0328	0.000	0.26	0.3007	-1.7

Table 5.2.1 GDP Growth vs FDI Inflows

According to the analysis of the data, The FDI inflows are highly significant to the Gross Domestic Product growth in the developing and developed economy. But in the transition economy, FDI inflows are not the significant predictor of Gross Domestic Product(GDP) growth during the time period. This clearly shows that the GDP might get affected by some of the other factors related to the economy. But in the transition economy, EODB and FDI inflows are highly significant. When we check the coefficients of the developing and developed economy, the Developing economy shows that if there is a 1% increase in the FDI inflows then the GDP will increase by 0.26 percent comparatively higher than the developed economy. A small change in the developing economy reflects higher GDP growth of the economy. The transition economy should focus temporarily on some other factors instead of FDI inflows to improve the growth rate of the economy.

4.5 BUSINESS LIFE CYCLE STAGES

When mapping this into the Business Life cycle, where there are four stages includes Introduction, Growth, Maturity, and Decline. When analyzing the data using statistical tools, Low-income countries belonging to the transition economy are in the earlier stages where there are a lot of opportunities to find growth in the economy in the future by improving several economic factors other than FDI inflows. But in this, The EODB has an impact on the FDI inflows to move the countries in the transition economy at the growth stages in the developing countries. The countries which come under the middle income also known to be a developing economy which has a number of opportunities awaiting in future tend to be in the growing stages of the Business life cycle. Doing business scores has a positive impact on the inward Foreign Direct Investments which influences to reach the maturity stage. This also suggests that the investors keeping sustainability in mind may choose the best developing countries for investing in to get more returns in the future. The economies that come under the developed countries already improved all the doing Business parameters which resulted in more returns and also tend to reach the maturity stage.

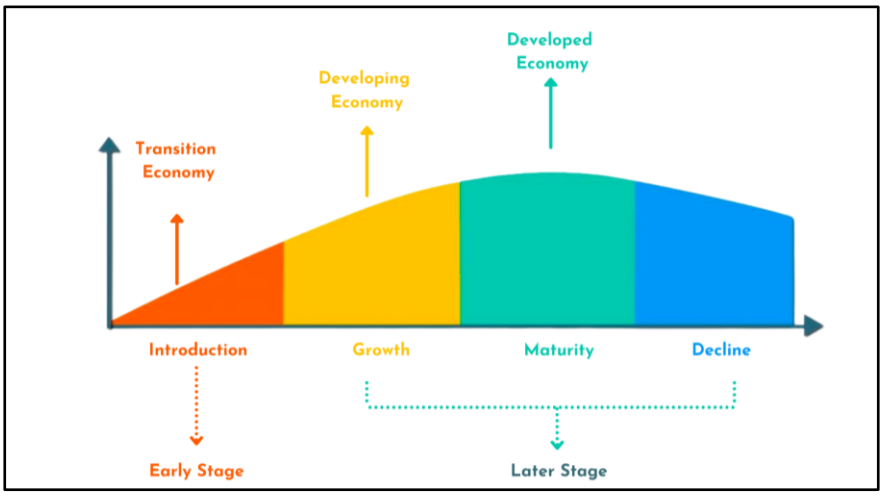

Fig: 4.5.1 Mapping to Business Life cycle stages

RESULTS

S.No	Economy	Result
1	Developed Economy	FDI Inflows are a significant predictor of the GDP growth rate.
		Ease of Doing Business is a significant predictor of the FDI inflows
2	Developing Economy	FDI Inflows is a significant predictor of the GDP growth rate.
		Ease of Doing Business is a significant predictor of the FDI inflows
3	Transition Economy	FDI Inflows is an insignificant predictor of the GDP growth rate.
		Ease of Doing Business is a significant predictor of the FDI inflows

Hypothesis 1

H0: Ease of Doing Business is an insignificant predictor of the FDI inflows in three different economies.
H1: Ease of Doing Business is a significant predictor of the FDI inflows in three different economies.
According to the hypothesis 1, the result indicates that Ease of doing business is a significant predictor of the FDI inflows where we can reject the null hypothesis in all the cases of three economies.

Hypothesis 2

H0: Foreign Direct Investment inflows are an insignificant predictor of the Gross Domestic Product growth in three different economies.
H1: Foreign Direct Investment inflows are an insignificant predictor of the Gross Domestic Product growth in three different economies.
According to the hypothesis 2, the result indicates that FDI Inflows is an significant predictor of the GDP growth rate of developed and developing economies where we can reject the null hypothesis in both the cases but in the transition economies, the result indicates that FDI Inflows is an insignificant predictor of the GDP growth rate.

Hypothesis 3

H0: The ten parameters of Ease of doing business is an insignificant predictor of the FDI inflows in developing economy.
H1: The ten parameters of Ease of doing business is an significant predictor of the FDI inflows in developing economy

According to the hypothesis 3, the result indicates that the ten parameters of Ease of doing business is an significant predictor of the FDI inflows in developing economy.

FINDINGS

1. The EODB has a positive impact on the FDI inflows to move the countries in the growth stages to the maturity stage for more returns to the economy. This also suggests that investors invest in developing economy countries.
2. The high-income countries belonging to the developed economies are in the maternity stage where they have already improved all the parameters which already gave them the higher GDP and resulted in the maturity stages. So currently whenever there is a change in the EODB parameters, it will have an impact on the FDI inflows but not as much as the Developing economy.
3. On the one hand, the Doing Business index might be a beneficial tool for economic and political transformation.
4. Improving the EODB will impact both the FDI inflows and the growth of the Economy.

CONCLUSION

The inward FDI attracted the eyes of many countries and considering it as a rising source of funding in order to contribute to the growth of the economy. The regression model justifies that FDI and Ease of Doing Business play major roles in influencing economic growth in developed and developing nations. Out of all the variables, Ease of doing Business is a significant predictor of Foreign Direct investments which influences the growth of the economy. Developed and Developing nations have a beneficial influence on FDI and consequently on economic growth. The coefficients of the Ease of Doing Business and FDI inflows have a favorable and considerable impact on these nations' economic growth. In future, investors enjoys the exemptions and can able to decide the economy that they are going to invest in which they can expect higher returns in the long-term. Therefore, the study revealed that there is a positive impact on the FDI inflows and the Economy growth by the Ease of doing business index of the nation.

REFERENCES

[1] Hassan, Z., & Basit, A. (2018). Ease of doing business and its impact on inward FDI. *Hossain, MT, Hassan, Z., Shafiq, S., & Basit, A.(2018). Ease of Doing Business and Its Impact on Inward FDI. Indonesian Journal of Management and Business Economics, 1*(1), 52-65.

[2] Morris, R. and Aziz, A. (2011), "Ease of doing business and FDI inflow to Sub-Saharan Africa and Asian countries", *Cross-Cultural Management: An International Journal*, Vol. 18 No. 4, pp. 400-411. https://doi.org/10.1108/13527601111179483

[3] Barrell R, Pain N (1996) An econometric analysis of U. S. Foreign direct investment. Rev Econ Stat 78(2):200–207.

[4] Anderson J, Gonzalez A (2013) Does Doing Business matter for foreign direct investment?. In: Bank W (ed) Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises. World Bank Group, pp 47–50

[5] Vogiatzoglou, K. (2016). Ease of Doing Business and FDI Inflows in ASEAN. *Journal of Southeast Asian Economies*, *33*(3), 343–363. http://www.jstor.org/stable/44132410
[6] Akame, A. J., Ekwelle, M. E., & Njei, G. N. (2016). The Impact of Business Climate on Foreign Direct Investment in the CEMAC Region. Journal of Economics and Sustainable Development, 7(22), 66–74.
[7] De Mello Jr., Luiz R., (1997), "Foreign direct investment in developing countries and growth: A selective survey", Journal of Development Studies, 34(1): 1-34
[8] Ani, T. G. (2015). Effect of Ease of Doing Business to Economic Growth among Selected Countries in Asia. Asia Pacific Journal of Multidisciplinary Research, 3(5), 139–145.
[9] Atieno, O. P. (2009). An Analysis of the Strengths and Limitation of Qualitative and Quantitative Research Paradigms. Problems of Education in the 21st Century, 13, 13–18.
[10] Bayraktar, N. (2015). Importance of Investment Climates for Inflows of Foreign Direct Investment in Developing Countries. Business and Economic Research, 5(1), 24–50. http://doi.org/10.5296/ber.v5i1.6762
[11] Corcoran, A., & Gillanders, R. (2015). Foreign direct investment and the ease of doing business. *Review of world economics*, *151*(1), 103-126.
[12] Piwonski, K. (2010). Does the 'Ease of Doing Business' In a Country Influence its Foreign Direct Investment Inflows?.
[13] Nangpiire, C., Rodrigues, R. G., & Adam, I. O. (2018). Ease of doing business and foreign direct investment inflow among Sub-Sahara African countries. *International Journal of Business and Emerging Markets*, *10*(3), 289-303.
[14] Kofarbai, H. Z., & Bambale, A. J. A. (2016). Investment climate and foreign direct investment in Nigeria: The mediating role of ease of doing business. *Journal of Energy and Economic Development*, *2*(2), 10.
[15] Jayasuriya, D. (2011). Improvements in the World Bank's ease of doing business rankings: do they translate into greater foreign direct investment inflows?. *World Bank Policy Research Working Paper*, (5787).
[16] Nketiah-Amponsah, E., & Sarpong, B. (2020). Ease of doing business and foreign direct investment: the case of Sub-Saharan Africa. *International Advances in Economic Research*, *26*(3), 209-223.
[17] Anderson, J., & Gonzalez, A. (2013). Does Doing Business matter for foreign direct investment?. *Doing Business*.
[18] Janaćković, M., & Petrović-Ranđelović, M. (2019). RELATIONSHIP BETWEEN EASE OF DOING BUSINESS INDICATORS AND THE FOREIGN DIRECT INVESTMENT INFLOWS IN THE REPUBLIC OF SERBIA. *Facta Universitatis, Series: Economics and Organization*, 269-282.
[19] Pinheiro-Alves, R., & Zambujal-Oliveira, J. (2012). The Ease of Doing Business Index as a tool for investment location decisions. *Economics Letters*, *117*(1), 66-70.
[20] Dufour, J.-M., & Dagenais, M. G. (1985). Durbin-Watson Tests for Serial Correlation in Regressions with Missing Observations. Journal of Econometrics, 27(3), 371–381. http://doi.org/10.1016/0304- 4076(85)90012-0
[21] Jayasuriya, D. (2011). Improvements in the World Bank's Ease of Doing Business Rankings: Do they Translate into Greater Foreign Direct Investment Inflows? (Policy Research Working Papers No. WPS 5787)

[22] OECD (2016) Development Co-operation Report 2016: The Sustainable Development Goals as Business Opportunities. Paris: Organisation for Economic Co-Operation and Development.
[23] Sauvant, K. P. and Ortino, F. (2013) Improving the International Investment Law and Policy Regime: Options for the Future. Helsinki: Ministry for Foreign Affairs of Finland.
[24] Ghosh, Bhowmick, & Roshan Saha. (2019, June). *SDG Index and Ease of Doing Business in India: A Sub-National Study*. https://www.researchgate.net/profile/Nilanjan-Ghosh-Phd/publication/334029772_SDG_Index_and_Ease_of_Doing_Business_in_India_A_Sub-National_Study/links/5d13181fa6fdcc2462a65028/SDG-Index-and-Ease-of-Doing-Business-in-India-A-Sub-National-Study.pdf.
[25] ROSHAN SAHA, & SOUMYA BHOWMICK. (2020). *Foreign direct investments in Indian states*. https://www.orfonline.org/wp-content/uploads/2020/09/ORF_Monograph_FDI-States.pdf.
[26] Moorthy, V., & Jason, A. A. (2016). The ease of doing business rank: An assessment of its macroeconomic relevance. *SSRN Electronic Journal*. doi:10.2139/ssrn.2804921.
[27] World Bank ease of doing business ranking: Higher FDI inflows are okay, but why is it not boosting economic growth? (2018, November 1). Retrieved July 25, 2021, from Firstpost.com website: https://www.firstpost.com/business/world-bank-ease-of-doing-business-ranking-higher-fdi-inflows-is-okay-but-why-is-it-not-boosting-economic-growth-5486281.html
[28] H1B Visa : A game Changer. (n.d.). Is FDI the new engine of growth? Retrieved July 25, 2021, from Bombaychamber.com website: http://bombaychamber.com/admin/uploaded/ANALYTIQUE/Analytique%20(April%20-%20June%202017).pdf.
[29] Corcoran, A., & Gillanders, R. (2015). Foreign direct investment and the ease of doing business. *Review of World Economics*, *151*(1), 103–126.
[30] PBRI. (n.d.). Retrieved July 25, 2021, from Pbr.co.in website: http://www.pbr.co.in/2018/june8.aspx.
[31] Hossain, M. T., Hassan, Z., Shafiq, S., & Basit, A. (2018). Ease of Doing Business and its impact on inward FDI. *Indonesian Journal of Management and Business Economics*, *1*(1), 52.
[32] Malik, S. (2018). Ease of Doing Business and Foreign Direct Investment: A Review Paper.
[33] Nketiah-Amponsah, E., Sarpong, B. Ease of Doing Business and Foreign Direct Investment: Case of Sub-Saharan Africa. *Int Adv Econ Res* 26, 209–223 (2020). https://doi.org/10.1007/s11294-020-09798-w.
[34] Shahadan, F., Sarmidi, T., & Faizi, F. J. (2014). Relationships between doing business indexes and FDI net inflows: empirical evidence from six Asian countries (Afghanistan, Bangladesh, India, Iran, Pakistan, and Sri Lanka). *Prosiding Persidangan Kebangsaan Ekonomi Malaysia ke-9*.
[35] MogesEbero, E., & Begum, M. (2016). The desirability of doing business and flow of foreign direct investment nexus: the case of Ethiopia. *world*, *114*, 37-81.
[36] Bayraktar, N. (2015). Importance of investment climates for inflows of foreign direct investment in developing countries. *Business and Economic Research*, *5*(1), 24-50.
[37]Nnadozie, E., & Njuguna, A. E. (2011, October). Investment climate and foreign direct investment in Africa. In *6th African Economic Conference* (pp. 26-28).

[38] Singh, G. (2015). Relationship between doing business index and foreign direct investment. In *International Conference on Ease of Doing Business: Contemporary Issues, Challenges and Future Scope* (pp. 13-21).
[39] Mahuni, K., & Bonga, W. G. (2017). Nexus between doing business indicators and foreign direct investment for Zimbabwe: A time series analysis. *Dynamic Research Journals' Journal of Economics and Finance (DRJ-JEF)*, *2*(2), 01-08.
[40] Morris, R., & Aziz, A. (2011). Ease of doing business and FDI inflow to Sub-Saharan Africa and Asian countries. *Cross-Cultural Management: An International Journal*.
[41] Olival, A. I. D. N. (2012). *The influence of doing business' institutional variables in foreign direct investment* (Doctoral dissertation).
[42] MogesEbero, E., & Begum, M. (2016). The desirability of doing business and flow of foreign direct investment nexus: the case of Ethiopia. *world*, *114*, 37-81.
[43] Akame, A. J., Ekwelle, M. E., & Njei, G. N. (2016). The impact of business climate on foreign direct investment in the CEMAC region. *World*, *44*(47.5), 39.
[44] Fahmi, M. R. (2012). Analyzing the relationship between tax holiday and foreign direct investment in Indonesia. *Asia Pacific Studies Ritsumeikanasia Pacific University Japan*.
[45] Moosa, I. A., & Cardak, B. A. (2002). The determinants of foreign direct investment: An extreme bounds analysis. *Journal of Multinational financial management*, *16*(2), 199-211.