Corruption and Foreign Direct Investment: The Case of South Asia

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Abstract

This paper empirically investigates the influence of corruption, bureaucratic quality and government stability on inward Foreign Direct Investment (FDI) to major SAARC nations including Bangladesh, India, Pakistan and Sri Lanka over the period of 1985-2008. Owing to the long-term relationship with the host, absence of corruption and bureaucratic interventions are crucial location advantages of host countries, especially in case of countries lacking abundant natural resources to attract foreign investors. The results through random effects panel estimation method indicate the significant effects of absence of corruption, honest public office holders, efficient bureaucracy and government stability for the foreign direct investors in SAARC nations.

Introduction

A spate of recent corporate scandals and failures in the developed world has made the fiscal conditions very tight at home and strained their ability to invest in the developing world (Shah, 2012a; Shah & Afridi, 2015). This has led to increased demand for enhanced transparency and stability in business and economic institutions governing the activities of multinational firms both in the industrialised, developed and non-industrialised developing countries (Shah, 2016a; 2017b; 2017d). In this scenario, the present study addresses the question that how effective the availability of a corruption free state apparatus is affecting the flow of foreign direct investment (FDI) to the members of South Asian Association for Regional Cooperation (SAARC). It comprises of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. World Bank "World Developing Indicators" (WB, WDI) groups them as South Asia.

The overseas investment decision of a multinational company (MNC) from a developed industrialized nation to directly invest in a non-industrialised developing economy (Shah, 2009;) vis-à-vis investment possibilities in other developed industrialized economies or at home primarily emanate from a higher expected profitability in future (Campos & Kinoshita, 2003; Shah, 2013a; Shah & Khan, 2016).

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However, the long-term character of FDI nurtures a relatively high degree of sensitivity of the foreign direct investors to risk perception (Habib & Zurawicki, 2002; Shah, 2016c; Shah & Gulelala, 2017; Shah & Tahir, 2017). Corruption concerns an investor because it raises the costs of operation and heightens uncertainty about the economic environment that he/she has to tackle (Shah, 2013b; 2018a). Moreover, corruption prevalence in the state apparatus and bureaucracy creates distortions in the market by providing preferential access to some companies to profitable market segments and causing bottlenecks for others thus discouraging organisational performance (Kawai, 2009; Shah, 2018b). Therefore, restricting the pervasiveness of corruption is important for FDI and the belief that foreign investors abhor arbitrary bureaucratic interference in their operations and their desire to exercise corporate governance in a transparent and fair regulatory and legal environment at least in the developing world seems natural (Altomonte, 2000; Shah, 2011a).

Good institutions are expected to ensure the security of foreign investor's property (Krifa-Schneider & Matei, 2010), guarantee political stability, wane corruption, promote a good investment climate and improve business-operating conditions leading to increased FDI inflows (Shah & Faiz, 2015). These themes are germane and desirable for economies at different levels of development, and various regions of the world (Rodriguez, Siegel, Hillman, & Eden, 2006; Shah, 2011b). Nevertheless, they are particularly important for the developing countries devoid of abundant natural resources, such as the SAARC nations, to attract overseas investors (Shah & Qayyum, 2015).

This study examines the influence of corruption's existence on inward FDI in a sample of four South Asian developing nations namely Bangladesh, India, Pakistan and Sri Lanka by a random effect panel estimation model for aggregate FDI inflows in the host economies from 1985 to 2008. Appendix one summarises foreign direct investment into the developing countries and SAARC, whereas appendix two and three in these four countries individually. Afghanistan, Bhutan, Maldives and Nepal are not included due to non-availability of data specifically their non-coverage by the Political Risk Services (PRS) group. PRS provide annual data for economies worldwide titled "International Country Risk Guide" (ICRG). Using government stability, corruption and bureaucratic quality that deal with transparency and efficiency of the state apparatus, it was found that they positively affect the incidence of FDI. Similarly, variables such as trade openness, market size and economic development from the conventional FDI literature continue to exert their significant influence.

The main research objective of this paper is to investigate the possible effects of corruption free state apparatus on inward FDI in SAARC. The choice of the South Asian economies is based on data availability and the paucity of research studies exploring corruption - FDI nexus in SAARC. Therefore, it is expected that the current work in addition, to enhancing investors and researchers understanding of corruption's influence on investors' location choice, will surely be adding some new vistas of knowledge to the available limited literature on FDI and corruption association in the SAARC member states.

Hypothesis of the Study

The hypotheses stated below are set in order to answer the objectives of the current study:
H_0: Inward FDI in SAARC economies is not influenced by Corruption
H_1: Inward FDI in SAARC economies is significantly influenced by Corruption

The remainder of the paper is organized as follows. Section 2 develops the corruption-FDI relationship. Section 3 describes the empirical model. Section 4 of the paper presents results, analysis and addresses the empirical concerns. The paper concludes with section 5.

Corruption and Foreign Direct Investment

Corruption is generally defined as using public office authority for personal advantage (Wei, 2000b), wherein a civil servant, be it a bureaucrat or elected, misuses her or his government job for individual benefits (Cuervo-Cazurra, 2006)[1]. By doing this he/she not only distorts efficient resource allocation but also sow the seeds of rewarding incompetent business conduct through granting unearned deals, rights and contracts to unproductive firms in receipt of bribes, at the cost of innovative and capable companies, thus inhibiting the development of fair and efficient markets (Kwok & Tadesse, 2006; Shah, 2010; 2017c).

Paying-off government officials is a regular business practice in some countries (Egger & Winner, 2005). There, firms have to offer bribes to acquire government contracts, import licences, export quotas and to obviate unexpected regulatory complications to which they otherwise will be subjected, to force them to grease the palms of the relevant authority. These payments make the government officials seeking bribes show extraordinary responsiveness to the "needs" of the foreign firms keeping them on "payrolls". This makes corruption look like making possible difficult transactions and speeding up procedures that otherwise would be very sluggish and cumbersome. However, it needs to be kept in mind that toleration of dishonesty in some facets of public life may foster a downward spiral in which the malfeasance of a few will encourage others to engage in corruption over time, leading to pervasive corruption and undermining the legitimacy of the governing apparatus. Therefore, here corruption is considered as "sand in the wheels of commerce"[2] (Cuervo-Cazurra, 2008 page 13) as it increases the operation cost of a firm and can lead to the enactment of additional bylaws by the corrupt officials, for the sole objective of extracting more bribes. As a result, firms face increased costs even if the contract is granted when compared to a competitive market. Additionally, payments to corrupt officials have no market value (Habib & Zurawicki, 2002) and the investors do not have recourse to a court in case of non-fulfilment, as bribery is illegitimate (Cuervo-Cazurra, 2008). In this perspective

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[1]   For a detailed discussion on definitions and types of corruption please read Afriyie (2008).
[2]   Kaufmann's governance post at: http://thekaufmannpost.net/does-grease-money-speed-up-the-wheels-of-commerce/

corruption can be termed even as a "grabbing hand" as it promotes rent seeking behaviour, reducing multinational profits and productivity of local inputs, therefore, lowering the host market attraction for overseas investors.

The prevalence of corruption in a society shows deficiency of respect and reverence for the rules, conventions and principles that administer commercial dealings in a community (Shah & Ali, 2016; Shah, 2018c). The inflow of *FDI* is likely to be negatively related to pervasiveness of corruption in the developing host economy because of its expected adverse effect on optimal productivity of the multinational enterprise (Seyoum, 2006; Shah, 2011c). Corruption necessitates paying bribes or extra efforts to obtain the concerned government officials' permission to do business (Wei, 2000a). This manipulation of public office authority for vested personal gain is an implicit levy on corporations, increasing their overhead costs, and rotting motives to invest (Johnson, 2006). Therefore, corruption, by distorting the business environment generates ambiguity apropos operation costs in the host country and leads to operational inefficiencies (Woo & Heo, 2009). This may cause the overseas investors to withhold their investment and existing ones may even consider withdrawing theirs (Shah, 2012b; 2016b). The best example of the implications that rampant corruption as well as ill-functioning institutions have on foreign direct investors is the post-communist Russia:

> *"Bribery was the grease which kept the rusty Soviet State from jamming altogether" (Cuervo-Cazurra, 2008, page 15). Moreover, "to invest in a Russian company, a foreigner must bribe every agency involved in foreign investment, including the foreign investment office, the relevant industrial ministry, the finance ministry, the executive branch of the local government, the legislative branch, the central bank, the state property bureau, and so on. The obvious result is that foreigners do not invest in Russia" (Drury, Krieckhaus & Lusztig, 2006, page 122-123).*

Due to the secret nature of bribery, it seems quite difficult to get tangible evidence regarding the degree of corruption in the society. However, the indexes of Transparency International *(TI)* and *ICRG* are considered reliable measures of corruption. They are widely used by researchers in empirical studies associated with *MNC*s. This study is not using *TI*'s corruption perception index (*CPI*) because it starts at 1995 and even for that year it covers only Pakistan and India. For its earlier usage consult Wei (2000a), Habib and Zurawicki (2002), Johnson (2006), Kwok and Tadesse (2006), Afriyie (2008) and Cuervo-Cazurra (2008) among others.

The present study checks for the effect of perceived corruption level on *FDI* inflows by utilising data from *ICRG*. In addition, it also checks for the effect of excess bureaucratic mingling on inward *FDI* from *ICRG* because excessive red-tape increases costs of starting a business and may cause difficulties in enforcing contracts (Morrissey, 2008; Shah, 2011d; 2014b). According to Egger and Winner (2005), corruption is a common characteristic of low-income countries. Similarly, Wei (2000b) articulates that majority of investors from overseas use Hong Kong as a stepping-stone to invest in Mainland China because they loathe the high degree of corruption and bureaucratic red

tape they have to face in the Mainland Chinese provinces. The *ICRG* corruption measure is a six point index which gauge potential insidious corruption in the form of nepotism, excessive patronage, 'favour for favours', secret party funding, job reservations, and suspiciously close ties between politics and business. The measure of bureaucratic quality is a four-point index. Both the indexes penalise high corruption or incompetent bureaucracy by granting them lower points. Therefore, a positive effect of the two indexes on inward *FDI* in *SAARC* economies is expected.

Empirical Model and Data

Multinationals choose production locations based on the expected optimal product of their innate ownership and internalisation advantages and the location specific benefits offered by the international host (Shah & Samdani, 2015; Shah & Lalzada, 2018). Domestic government stability, bureaucratic excellence and absence of corruption, determine the quality of investment climate and help create the optimal location related conditions for the multinational operations in the local market.

A multinational FDI decision is likely to be influenced by an indefinite list of factors (Shah, 2011e; 2012d). This study will focus on the demand side factors to explore the role of corruption on aggregate FDI inflows into four SAARC countries from 1985 to 2008. Accordingly, it will have a maximum of $4*24 = 96$ observations for each variable. Based on the prior discussion it is assumed that the function determining FDI inflows into South Asia can be estimated by the following log-linearized general specification:

$$\ln FDI_{jt} = \begin{aligned} &\alpha_0 + \beta_1 \ln \text{Market Size}_{jt} + \beta_2 \ln \text{Economic Development}_{jt} + \\ &\beta_3 \ln \text{Imports}_{jt} + \beta_4 \ln \text{Exports}_{jt} + \beta_5 \text{Corruption}_{jt} + \\ &\beta_6 \text{Bureaucratic Quality}_{jt} + \beta_7 \text{Government Stability}_{jt} + \varepsilon_{jt} \end{aligned} \quad \dots\dots (1)$$

Here ln denotes natural logarithm. Logging the data helps in reducing it's skewness (Daude & Stein, 2007; Shah, 2015) and it is the standard statistical method to deal with this issue (Blonigen, 2005; Shah & Khan, 2017). Population of the host economy is used for market size (Shah & Jamil, 2016). Gross domestic product per capita proxies economic development (Shah, 2011f). Whereas, imports and exports as a per centage of GDP cater for the importance of both of them respectively. The data for FDI as well as these four variables is taken from World Development Indicators of the World Bank. Corruption, bureaucratic quality and government stability cover the phenomenon corresponding to their names. Data for them was collected from International Country Risk Guide (ICRG). Investors prefer large markets (Seyoum; 2006; Shah, 2012c), relatively developed economies (Habib & Zurawicki, 2002; Woo & Heo, 2009; Shah & Bangash, 2017 etc.) and countries open to world trade and investment (Krifa-Schneider & Matei, 2010; Shah, 2017a). Table one provides the summary of descriptive statistics for all the variables.

Table 1: Summary Statistics

Variable	No. of Observations	Mean	Standard Deviation	Min	Max
Ln FDI	96	19.94	5.95	6.91	24.44
Ln Population	96	18.18	1.45	16.29	20.87
Ln GDP / PC	96	5.72	0.66	4.29	7.83
Ln Imports per cent GDP	96	3.01	0.53	1.56	4.02
Ln Exports per cent GDP	96	2.64	0.56	1.36	3.69
Corruption	96	2.21	0.95	0.08	4.00
Bureaucratic Quality	96	1.99	0.83	1.00	3.00
Government Stability	96	6.62	2.62	1.83	11.08

Results, Analysis and Empirical Concerns

To choose between the appropriate panel data method the Hausman (1978) specification test was performed, which permits the use of random effects method as it is unable to reject the null with the following statistics Chi^2 (4) = 2.62 and Probability > Chi^2 = 0.6236. Though, the host countries are not randomly drawn from the pool of all the developing countries but selected based on their geographical position and data availability (Shah & Khan, 2018) still the Hausman test suggests that the host country specific intercept is uncorrelated with the error term. Therefore, the study will use the random effect method for empirical estimations.

Baum and Cox (1999) white test was carried out for heteroscedasticity, which confirms it with Chi^2 (35) = 76.4396, P-value = 0.0000. Therefore, all the results are reported with standard errors robust to heteroscedasticity (Aizenman & Spiegel, 2006; Shah, 2014a). I also checked for the possible existence of problematic multicollinearity among the explanatory variables by using variance inflation factor (VIF) and the correlation matrix. Both show the absence of this issue as evident from the mean VIF of 7.77, which is less than the rule of thumb of 10.00 (Shah & Azam, 2017) as well as the correlation matrix given below as table two.

Table 2: Correlation Matrix

	Variable	a	b	c	d	e	f	g	h
a	Ln FDI	100							
b	Ln Population	27	100						
c	Ln GDP / PC	58	-28	100					
d	Ln Imports per cent GDP	17	-79	65	100				
e	Ln Exports per cent GDP	40	-62	75	91	100			
f	Corruption	50	-17	53	41	61	100		
g	Bureaucratic Quality	73	45	41	-04	27	64	100	
h	Government Stability	55	13	43	15	32	28	41	100

Correlations are rounded off to the nearest percentage

Model one to four and table three confirm the findings prevalent in the FDI literature about multinationals preference for the host nation's size of the native market, its development level, extent of openness of domestic economy and integration with rest of the world (Shah & Zeb, 2017). The coefficient for market size, development level and openness of the host market are all significantly positive in almost all the models. To explore the effect of corruption, bureaucratic quality and government stability on FDI inflows I employed the relevant indicators from ICRG, and the results are presented in table three models six, seven and eight.

In model six, I look for the effect of corruption on foreign investment. The strong positive coefficient indicates that multinational firms prefer corruption free countries (Gastanaga, Nugent & Pashamova, 1998). For empirical analysis where increased corruption promotes FDI, see the findings of Egger and Winner (2005) for a set of seventy three developed & developing countries and Adam and Filippaios (2007) for a sample of 105 developed and developing countries. Egger and Winner (2005) support their results term corruption as the "helping hand" for a firm's operations and a stimulus for FDI. However, Wei (2000a), analysing the effect of corruption on FDI inflows in forty five host countries from twelve source OECD countries found it to be negatively influencing the investors choice of investment location. On the contrary, like here Asiedu and Freeman (2009), found that corruption negatively affects investments in transition countries but not in Latin American, Caribbean and Sub-Saharan African ones. However, they like the current paper does not control for difference in FDI sources.

Table 3: Empirical Estimations

Estimation Method		Random Effects							
Variables	Proxy	1	2	3	4	5	6	7	8
Market Size	Ln Population	4.2162* (1.0147)	1.1983* (0.1533)	1.9243* (0.4108)	1.5937* (0.3453)	1.9155* (0.4672)	1.7985* (0.5785)	1.2162* (0.4251)	1.0378* (0.3091)
Development Level	Ln GDP / PC		4.8761* (0.4859)	3.5503* (0.5456)	3.9023* (0.5867)	3.7015* (0.6611)	2.6389* (0.8295)	2.4724* (0.8259)	2.1078$^\alpha$ (0.9745)
Openness	Ln Imports per cent GDP			2.7456$^\alpha$ (1.3401)		2.4815 (2.3384)	-1.7170 (2.0694)	-0.7592 (1.8012)	-0.1091 (2.2907)
	Ln Exports per cent GDP				1.8506$^\alpha$ (0.9296)	0.3190 (1.8120)	5.0791* (1.9156)	3.3453 (2.2131)	2.3291 (2.1597)
ICRG	Corruption						0.4484$^\alpha$ (0.1876)		
	Bureaucratic Quality							1.3795* (0.2816)	1.4709* (0.4210)
	Government Stability								0.2489* (0.0909)
R - Squared		13.04	42.58	43.93	43.34	43.97	65.84	67.48	69.37
No of Observations		96	96	96	96	96	96	96	96

Standard errors robust to heteroscedasticity are reported in parenthesis under the coefficient estimates.
* Represents significance at 1 percent and α at 5 percent respectively.

The result in model six is in accordance with the intuition in the second section that rent-seeking attitude by state officials is abhorred by multinationals because it

imposes costs of unpredictable magnitude on them, undermining their ability to forecast and budget their expected outlays and perform optimally. It could also be expected given that the major FDI exporters, that is, the OECD nations are signatories of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, which came into force on 15 February, 1999 (Cuervo-Cazurra, 2006)[3]. The explanatory power of the model also instantly increases on average by twenty per cent from 44 per cent to 66 per cent by introducing the country ratings from International Country Risk Guide (ICRG). This upward shift in the R-squared (R^2) sustains throughout table three.

Bureaucracy quality is also significantly positive at one per cent level (model seven). The political risk services (PRS) group awards better ratings to countries where bureaucracy is free of political pressure, have an established transparent mechanism of recruitment, training, postings, promotions and have the ability to act as a shock absorber in case of frequent government changes which habitually bring policy revisions.

Knowing that all sample countries except India have seen unsystematic regime changes between dictatorships and democracies, leading to drastic shifts in governing principles, this role of bureaucracy is extremely important. For example, former regulations may still be on the books while the new ones are developed and gazetted. This creates new possibilities for the corrupt bureaucrats to fleece investors, as it is not certain, which set of rules and laws, are applicable. Realising this government stability is tested in model eight of table three. Its significant positive coefficient exhibits that, consistency of policies is important because recurrent regime changes can create regulatory vacuum in the interim and foreign as well as local firms have to face vacuity of legal structure governing their operations, which is not very appealing for overseas investors. Also evident from the same model is the positive significant coefficient of bureaucratic quality. It seems logical because the quality and institutional strength of the host country bureaucracy can minimize revisions of policy when governments change.

Conclusion

The present study was an effort to analyse the effect of prevalent corruption in South Asia on potential overseas direct investors from the world. The research on multinational direct overseas investment and the factors affecting it is not only intriguing but also extremely important for understanding the globalisation of the world economy. Though, researchers have considerably added to the FDI literature, the phenomenon is complicated enough, that in many ways we are still in the process of uncovering what we don't know and this paper may help in filling some remaining gaps and add to the existing literature.

Using data on aggregate FDI in four SAARC countries from 1985 to 2008, it was found that multinationals seek larger and relatively developed open markets. Efficient,

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[3]   Visit http://www.oecd.org/document/20/0,3343,en_2649_34859_2017813_1_1_1_1,00.html.

reliable bureaucracy, free of corruption state apparatus as well as government stability are the sought after traits of the host economy. Collectively the investors have an aversion for corruption and fancy states where the polity is more accountable to people.

In a nutshell, I intend to stress that corruption is seldom virtuous and renders otherwise good government bad and bad government worse, dissipating resources and sufficiently adding to transaction costs for the investors to significantly deter them from investment. Consequently, I believe that existence of credible bureaucracy and absence of corruption are positively correlated and shall, therefore, enhance FDI inflows.

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Appendices

Appendix 1

FDI Inflows 1985 to 2008 in Billions of US Dollars at Current Prices						
Year	World	Developed Countries	Developing Countries	South Asia	Developing as % of World	South Asia as % of World	South Asia as % of Developing
1985	56. 851	44. 293	12. 557	0. 264	22. 09 %	0.46 %	2.10 %
1986	85. 531	75. 419	10. 112	0. 262	11. 82 %	0.31 %	2.59 %
1987	129. 723	119. 415	10. 308	0. 410	7. 95 %	0.32 %	3.99 %
1988	158. 324	139. 267	19. 057	0. 327	12. 04 %	0.21 %	1.72 %
1989	194. 725	171. 979	22. 746	0. 487	11. 68 %	0.25 %	2.14 %
1990	204. 345	180. 715	23. 630	0. 541	11. 56 %	0.27 %	2.29 %
1991	157. 292	124. 042	33. 249	0. 391	21. 14 %	0.25 %	1.18 %
1992	167. 835	119. 327	48. 508	0. 745	28. 90 %	0.44 %	1.54 %
1993	220. 258	156. 271	63. 986	1. 114	29. 05 %	0.51 %	1.74 %
1994	248. 390	161. 966	86. 423	1. 580	34. 79 %	0.64 %	1.83 %
1995	328. 496	229. 657	98. 839	2. 931	30. 09 %	0.89 %	2.97 %
1996	374. 092	251. 065	123. 027	3. 511	32. 89 %	0.94 %	2.85 %
1997	468. 387	305. 092	163. 295	4. 896	34. 86 %	1.05 %	2.99 %
1998	696. 692	533. 050	163. 641	3. 547	23. 49 %	0.51 %	2.17 %
1999	1095. 228	923. 636	171. 592	3. 082	15. 67 %	0.28 %	1.80 %
2000	1519. 370	1359. 683	159. 687	4. 358	10. 51 %	0.29 %	2.73 %
2001	794. 946	629. 846	165. 100	6. 138	20. 77 %	0.77 %	3.72 %
2002	736. 812	584. 543	152. 269	6. 704	20. 67 %	0.91 %	4.40 %
2003	643. 120	488. 573	154. 546	5. 383	24. 03 %	0.84 %	3.48 %
2004	752. 231	535. 759	216. 472	7. 588	28. 78 %	1.01 %	3.51 %
2005	1137. 271	853. 874	283. 397	10. 914	24. 92 %	0.96 %	3.85 %
2006	1498. 686	1132. 463	366. 222	26. 041	24. 44 %	1.74 %	7.11 %
2007	2322. 882	1787. 003	535. 878	32. 315	23. 07 %	1.39 %	6.03 %
2008	1823. 281	1225. 274	598. 006	48. 678	32. 80 %	2.67 %	8.14 %

Appendix 2

FDI Inflows in South Asia 1985 to 2008 in Millions of US Dollars at Current Prices				
Year	South Asia	Bangladesh	India	Pakistan	Sri Lanka
1985	264. 2913	-6. 6600	106. 0900	131. 3893	26. 1621
1986	262. 1900	2. 4365	117. 7300	105. 7303	29. 7231
1987	410. 8969	3. 2051	212. 3200	129. 3776	59. 5042
1988	327. 1823	1. 8382	91. 2500	186. 4916	45. 7225
1989	487. 5091	0. 2479	252. 1000	210. 5999	19. 7413
1990	541. 6869	3. 2388	236. 6900	245. 2630	43. 3551
1991	391. 0117	1. 3904	73. 5376	258. 4145	48. 3492
1992	745. 9400	3. 7219	276. 5124	336. 4799	122. 6258
1993	1114. 3559	14. 0499	550. 3700	348. 5570	194. 4791
1994	1580. 5997	11. 1478	973. 2715	421. 0246	166. 4129
1995	2931. 4323	1. 8964	2143. 6281	722. 6316	55. 9956
1996	3511. 3128	13. 5298	2426. 0570	921. 9762	119. 8743
1997	4896. 7808	139. 3762	3577. 3300	716. 2531	430. 0562
1998	3547. 6777	190. 0594	2634. 6517	506. 0000	193. 4240
1999	3082. 3364	179. 6630	2168. 5911	532. 0000	176. 4102
2000	4358. 0261	280. 3846	3584. 2173	308. 0000	172. 9414
2001	6138. 1572	78. 5270	5471. 9472	383. 0000	171. 7901
2002	6704. 6742	52. 3395	5626. 0395	823. 0000	196. 5004
2003	5383. 0964	268. 2852	4322. 7477	534. 0000	228. 7200
2004	7588. 7437	448. 9054	5771. 2972	1118. 0000	232. 8000
2005	10914. 0913	813. 3220	7606. 4252	2201. 0000	272. 4000
2006	26040. 8208	697. 2063	20335. 9474	4273. 0000	479. 7000
2007	32315. 0063	652. 8187	25127. 1559	5590. 0000	603. 0000
2008	48678. 3355	973. 1081	41168. 6052	5438. 0000	752. 2000

Appendix 3

FDI inflows in SAARC Countries 1985 to 2008				
Year	South Asia	Bangladesh as % of South Asia	India as % of South Asia	Pakistan as % of South Asia	Sri Lanka as % of South Asia
1985	264291332	-2.52 %	40. 14 %	49. 71 %	9. 89 %
1986	262189951	0.93 %	44. 90 %	40. 33 %	11. 34 %
1987	410896932	0.78 %	51. 67 %	31. 49 %	14. 48 %
1988	327182328	0.56 %	27. 89 %	56. 99 %	13. 97 %
1989	487509138	0.05 %	51. 71 %	43. 19 %	4. 05 %
1990	541686864	0.59 %	43. 69 %	45. 28 %	8. 0 %
1991	391011744	0.36 %	18. 81 %	66. 09 %	12. 37 %
1992	745939993	0.49 %	37. 07 %	45. 11 %	16. 44 %
1993	1114355940	1.26 %	49. 39 %	31. 28 %	17. 45 %
1994	1580599702	0.71 %	61. 58 %	26. 64 %	10. 53 %
1995	2931432341	0.06 %	73. 13 %	24. 65 %	1. 91 %
1996	3511312809	0.39 %	69. 09 %	26. 26 %	3. 41 %
1997	4896780824	2.85 %	73. 05 %	14. 63 %	8. 78 %
1998	3547677680	5.36 %	74. 26 %	14. 26 %	5. 45 %
1999	3082336446	5.83 %	70. 36 %	17. 26 %	5. 72 %
2000	4358026129	6.43 %	82. 24 %	7. 07 %	3. 97 %
2001	6138157157	1.28 %	89. 15 %	6. 24 %	2. 79 %
2002	6704674249	0.78 %	83. 91 %	12. 28 %	2. 93 %
2003	5383096440	4.98 %	80. 30 %	9. 92 %	4. 25 %
2004	7588743658	5.92 %	76. 05 %	14. 73 %	3. 07 %
2005	10914091277	7.45 %	69. 69 %	20. 17 %	2. 49 %
2006	26040820813	2.68 %	78. 09 %	16. 41 %	1. 84 %
2007	32315006346	2.02 %	77. 76 %	17. 29 %	1. 87 %
2008	48678335487	1.99 %	84. 57 %	11. 17 %	1. 55 %