IMPACT OF EASE OF DOING BUSINESS ON FDI INFLOWS

A master's Dissertation Submitted In Partial Fulfilment of the Requirements For the Degree of

MASTER OF ARTS

in ECONOMICS

by

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I **ARYAN BHATI** hereby certify that the work which is being presented in the thesis entitled **IMPACT OF EASE OF DOING BUSINESS ON FDI** in partial fulfilment of the requirements for the award of the Degree of Master of Arts in Economics, submitted in the Department of Economics, Delhi Technological University is an authentic record of my own work carried out during the period from June, 2023 to May, 2024 under the supervision of **Dr. RATNAM MISHRA**.

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ARYAN BHATI

20TH MAY 2024

ABSTRACT

The research paper investigates the correlation between ease of doing business indicators and Foreign Direct Investment (FDI) inflows by utilizing panel data from 188 countries during the period of 2014-2018. The analysis concentrates on ten variables that represent different facets of the business regulatory environment, such as construction permits, access to credit, trade regulations, and contract enforcement. By drawing insights from existing literature, the study delves into how these indicators influence FDI inflows and reviews previous studies on the topic. The results indicate that certain ease of doing business indicators, such as construction permits, access to credit information, trading across borders, and resolving insolvency, have a significant positive impact on FDI inflows. Conversely, other indicators like legal rights index for obtaining credit, paying taxes, and enforcing contracts, exhibit insignificant or negative effects. This underscores the nuanced relationship between ease of doing business and FDI inflows, which varies across different indicators. The study challenges the notion that ease of doing business indicators universally attract FDI inflows, underscoring the significance of considering additional factors like wage rates, labor skills, infrastructure, and political stability. Despite data limitations and country heterogeneity, the research contributes to the ongoing discussion on the role of the business environment in FDI attraction. Future research avenues could involve comparative analyses between developed and developing countries to further elucidate the dynamics of ease of doing business indicators and their impact on FDI inflows.

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INTRODUCTION

Foreign Direct Investment (FDI) plays a crucial role in the advancement of a nation, particularly in developing economies, with regards to technological advancements, the formation of human capital, the establishment of a competitive business environment, and the integration into international trade. Among the various factors that contribute to the promotion of FDI in an economy, the significance of its business regulatory framework cannot be overlooked. Therefore, it becomes essential to liberalize the FDI regime in order to create a favorable environment that attracts foreign investment to the home country. This highlights the importance of the "ease of doing business" criterion, which is considered a reliable indicator of an economy's trade potential. Numerous studies emphasize the complementary relationship between FDI and domestic investment, which is contingent upon the prevailing institutional framework in a country. It is evident that FDI tends to crowd out domestic investments in countries with stringent regulations for starting a business. The term paper aims to explore how the indicators of "ease of doing business" act as key drivers in facilitating FDI growth. The Doing Business indicator, introduced by Simeon Djankov at the World Bank in November 2001, has become an indispensable tool for assessing the business environment and regulations. This study utilizes panel data from 188 countries, obtained from the World Bank's "Doing Business Report" for the period of 2014-2018. The data for all variables are sourced from the World Bank's World Development Indicators (WDI) and Doing Business annual reports. The study considers ten variables that represent the ease of doing business ranking, including construction permits, access to electricity, property registration, credit availability (legal rights index and depth of credit information index), and protection of minority investors. This study aims to analyze the influence of

the variables of cross-border trading, contract enforcement, and insolvency resolution on the amount of foreign direct investment (FDI) inflows.

LITERATURE

This section aims to examine previous research conducted in order to gain a deeper understanding of the motivation behind this study. The impact of ease of doing business on countries' economies has been analyzed from various perspectives by different researchers. Studies on reforms in the product market, such as trade and regulatory liberalization, have been widespread worldwide. Cumbersome and costly procedures during the establishment of a company have been significant barriers to the entry of new firms into the market (Klapper et al, 2006; Barseghyan, 2008). One of the earliest studies in this area was conducted by Lucas (1993), which aimed to analyze the influence of business on foreign direct investment (FDI). He demonstrated that dummy variables tracking changes in a country's organizational structure were significant. However, there was no evidence to support what these variables were actually trying to predict. Studies by Lawless (2009) and Eicher et al (2011) have also confirmed the role of tax complexities and bureaucracy as major obstacles in creating a favorable environment for investments to thrive in an economy. There has also been criticism of the government's "helping hand." Gustava et al (World Bank Group, Policy Research Working Paper 6435) aimed to demonstrate how this government assistance is actually a disguised "long arm." This reference to a "long arm" is inspired by the inability of economic agents to seek help from the government. This paper discusses how these inefficiencies on the part of the government have created a fertile ground for informal businesses in an economy. A field experiment was conducted in the Brazilian economy to test how government actions encourage informal businesses to register. There have also been works by other scholars that emphasize the broader consequences, such as the impact on GDP growth rate (Ani, 2015) and the crowding out effect (Jonathan, 2014).Jonathan's research highlights the importance of foreign direct investment (FDI) in displacing

domestic investments. The study reveals that FDI tends to crowd out domestic investment in countries with high entry regulation costs, particularly those in the bottom quartile of GDP per capita. To promote entrepreneurship and economic growth in low-income countries, it is crucial to implement reforms in business start-up regulations.

Another relevant study by Jayasuriya (2011) aligns with Jonathan's findings. It explores the positive correlation between a country's Doing Business ranking and the amount of FDI it attracts. However, Jayasuriya's research suggests that this relationship becomes insignificant when considering developing countries in isolation.

Bota-avram's (2014) proposal also influenced this study. Bota-avram emphasizes six clusters of governance indicators and uses the ease of doing business ranking as a proxy for assessing the quality of the business environment. Through cross-country empirical analysis of 181 countries based on income classification, Bota-avram's work indicates that factors like the rule of law, government effectiveness, regulatory quality, and control of corruption significantly impact the business environment, particularly in high-income categories.

Additionally, I examined the research conducted by Mongay and Filipescu (2012), which investigates the correlation between corruption and the ease of doing business. Their analysis includes 172 countries and ranks them based on the Corruption Perception Index (CPI). The study reveals a strong correlation between the CPI and the ease of doing business, indicating that economies with higher corruption levels tend to have more complex procedures during business establishment. The research works mentioned above have effectively established a strong connection between the ease of doing business and foreign direct investment (FDI), as well as overall economic growth. This study aligns with the existing body of empirical FDI literature and aims to offer a diagnostic viewpoint on the importance of a favorable business environment in attracting FDI inflows to the economy. By analyzing various studies and their findings, this paper seeks to provide valuable insights into the significance of a conducive business environment for promoting FDI.

DESCRIPTIVE STATISTICS

In this section of the paper, I conduct descriptive statistics using STATA software. Since the focus of this study is on panel data, I begin by grouping the variable "country" as a string variable. Once I specify the data as a panel in STATA, I proceed to summarize it using a command. Upon referring to Table 1, I observe that the average mean for the independent variable "Getting Construction Permits" is 64.14, with a standard deviation of 19.79. This suggests that 64% of the selected countries from the World Bank Index of Ease of Doing Business have easy access to Construction Permits during the studied time period of 2017. Similarly, I can analyze the means and standard deviations of the other independent variables listed in Table 1. Additionally, I can draw conclusions about any outliers present in the data points based on the table. By considering the maximum, minimum, and mean values of the variables, I identify and exclude outliers from the model based on their level of influence. Treating outliers can contribute to improving the efficiency of the model in later stages.

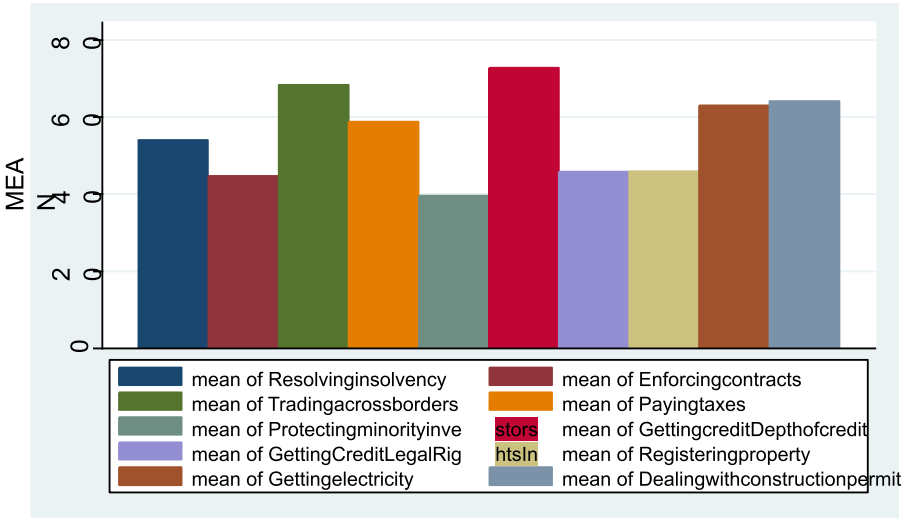
Variable	Obs	Mean	Std. Dev.	Min	Max
FDIinfl~2016	178	5.318674	9.041543	-1.571147	76.96099
Dealingwit~t	178	64.14118	19.79832	6.67	100
Registerin~y	178	45.92416	24.17946	8.33	95
GettingCre~n	178	45.83399	23.73942	8.33	100
Gettingcre~t	178	72.81775	19.60019	12.5	100
Protecting~s	178	39.59315	19.46825	1.38	90
Payingtaxes	178	58.775	26.55065	0	100
Tradingacr~s	178	68.32225	22.23953	0	100
Enforcingc~s	178	44.69888	17.69856	8.33	86.11
Resolvingi~y	178	54.02248	18.90252	12.5	93.75
Gettingele ~ y	178	63.0264	22.41951	0	100

TABLE 1: SUMMARY OUTPUT
SOURCE : STATA

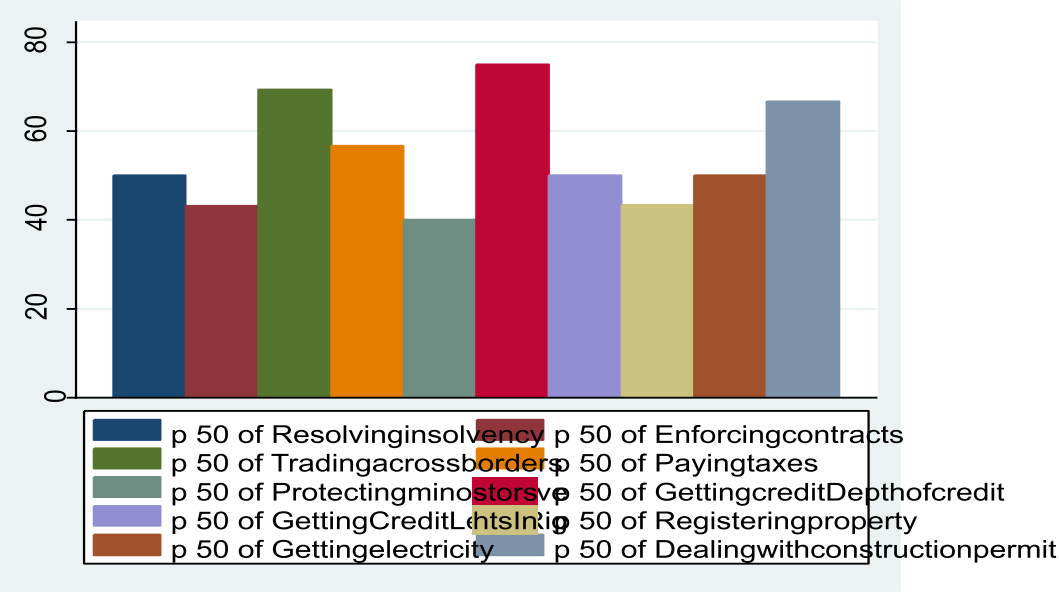
After summarizing the results, we can visually analyze the data. To identify the variables with the highest mean, median, standard deviation, and maximum values, we can create histograms. Below is a series of histograms for further examination. The histogram for the mean indicates that the variable "Getting Credit: Depth of Credit" has the highest mean among the independent variables, while "Protecting Minority Investors" has the lowest average. The median histogram reveals that "Getting Credit: Depth of Credit" has the highest median overall. When looking at the maximum and minimum values, "Paying Taxes" and "Trading Across Borders" have the highest maximum value and the lowest minimum value. Analyzing the standard deviation histogram, we can see that "Paying Taxes" has the highest standard deviation, while "Enforcing Contracts" has the lowest standard deviation.

LIST OF HISTOGRAMS

(A) MEAN



(B) MEDIAN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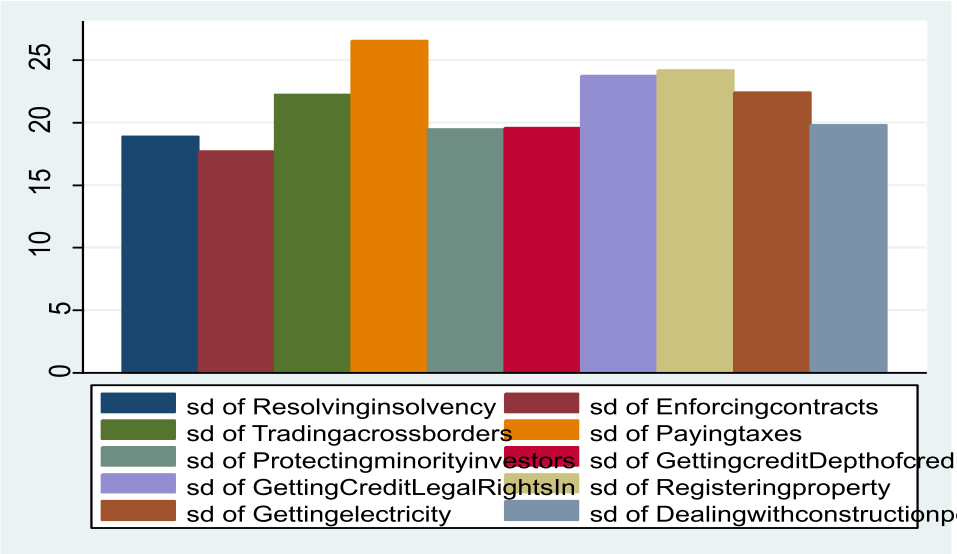
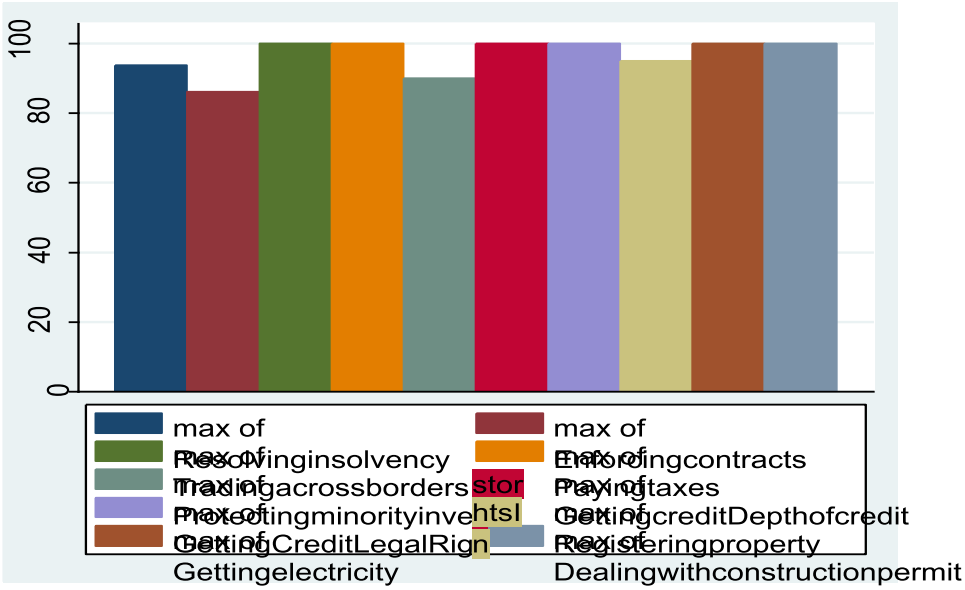
p 50 of Resolvinginsolvency
p 50 of Tradingacrossborders
p 50 of Protectingminostorsve
p 50 of GettingCreditLehtsIn
p 50 of Gettingelectricity
p 50 of Enforcingcontracts
p 50 of Payingtaxes
p 50 of GettingcreditDepthofcredit
p 50 of Registeringproperty
p 50 of Dealingwithconstructionpermit

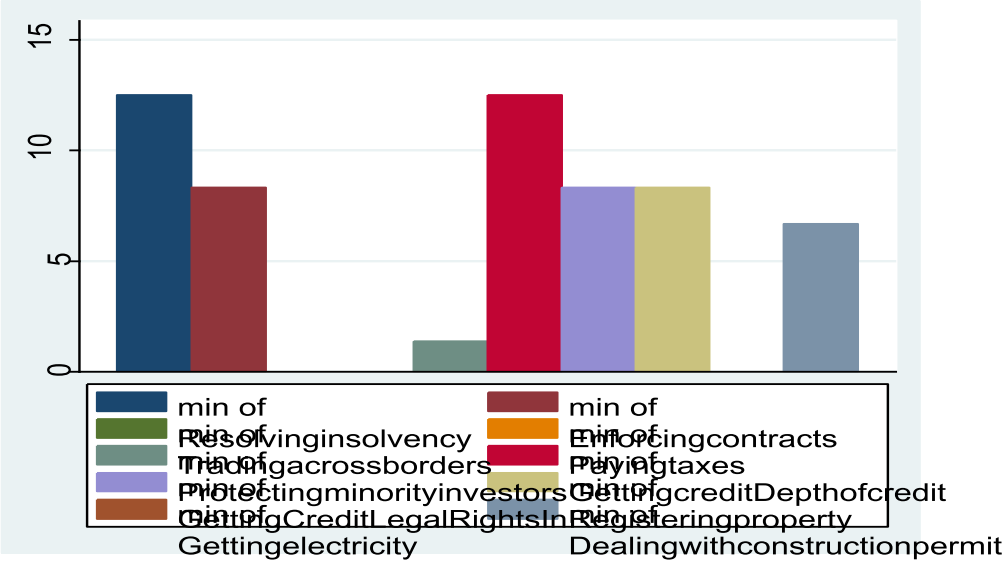
(C) STANDARD DEVIATION



(D) MAXIMUM



(E) MINIMUM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min of
Resolvinginsolvency
Tradingacrossborders
Protectingminorityinvestors
GettingCreditLegalRightsInd
Gettingelectricity
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Enforcingcontracts
Payingtaxes
GettingcreditDepthofcredit
Registeringproperty
Dealingwithconstructionpermit

ECONOMETRIC METHODOLOGY

As previously mentioned, the original plan was to utilize panel data from 188 countries spanning from 2014 to 2018 for the study. However, for the sake of simplicity, we have decided to transform the data into a cross-sectional format. The focus of the research has now shifted to analyzing ten variables that represent the 'ease of doing business' index across 188 countries for the year 2017. The research design will be causal in nature, aiming to investigate the impact of FDI inflows (dependent variable) on the ease of doing business index (independent variables). This cause-and-effect relationship between the variables aligns the study with the positivist research paradigm, which seeks to understand phenomena that are statistically verifiable and can be logically or mathematically proven. Before delving into the statistical and econometric aspects, it is crucial to address the origins, specifications, and limitations of the data at hand in order to enhance the comprehensiveness of the study. These considerations are essential prior to drawing conclusions from the econometric analyses. The quantitative, secondary data used in this research has been sourced from the World Bank's Ease of Doing Business indicators, ensuring consistency in terms of time and methodology. However, the possibility of inconsistencies arising from continuous revisions should be acknowledged. Discrepancies may also arise due to variations in reporting practices and timing. To address missing data and time constraints, the data has been sorted and missing values have been imputed using their respective means, a method deemed sufficient for the research objectives. The process begins with sorting and observing the data, followed by establishing the model and determining the appropriate statistical model to be employed. This study will employ Descriptive, Correlation, and Regression statistics for the analysis. Additionally, considering the characteristics of the data, we will conduct a least square regression to assess the influence of Ease of Doing Business on FDI inflows.

We now define the model as:

$$Y = \alpha + \sum_{i=1}^{10} \beta_i x_i$$

⇨ α is the intercept term.

⇨ β is the slope coefficient of the respective independent variables.

⇨ We denote the regressors X_i (i = 1,2,3,…..10) as

X_1 : Dealing with Construction Permits
X_2: Getting Electricity
X_3: Registering Property
X_4: Getting Credit- Legal Rights Index
X_5: Getting credit- Depth of Information Index
X_6: Protecting Minority Investors
X_7: Paying Taxes
X_8: Trading Across Borders
X_9: Enforcing Contracts
X_{10}: Resolving Insolvency

After establishing the model and the relevant statistical method, a least squares regression will be conducted using STATA to achieve accurate outcomes. Upon obtaining the β coefficient for each regressor, the analysis will progress to assessing the adherence of the generalized least squares estimators to the assumptions. Diagnostic tests for linearity, normality, heteroskedasticity, multicollinearity, and autocorrelation will be performed to validate the model.

To assess the linearity of parameters, we analyze standardized residuals against each predictor variable in the regression model. The scatter diagram corresponding to this can help us understand how well the data fits the line or how scattered it is. Normality of residuals can be confirmed by using the Kernel density estimate, which provides a normal density overlay on the plot. Alternatively, we can conduct the Shapiro-Wilk test numerically and examine the p values. To check for homoscedasticity of residuals, we can either graphically plot the residual versus fitted (predicted) values or utilize the Cameron & Trivedi's decomposition of the IM Test. The presence and extent of Multicollinearity can be determined by calculating the VIF (Variance Inflation Factor) and Tolerance level. Additionally, we investigate the

specification bias of the model using the Link Test, which suggests that a properly specified regression should not have any additional significant independent variables, except by chance. It is important to note that we do not test for autocorrelation in cross-sectional data as we are analyzing only one time period. This section of the study has elaborated on the hierarchy and complexities of the research methodology, along with the relevant statistical tools. Our next steps involve establishing hypotheses, interpreting results, and drawing conclusions.

HYPOTHESIS

The primary focus of the research inquiry is to examine the impact of business ease on inward FDI, with a probable positive outcome. This hypothesis is supported by previous studies conducted by reputable scholars, as cited in the literature review. The hypothesis is then formulated based on the econometric model provided.

$$Y = \alpha + \sum_{i=1}^{10} \beta_i x_i$$

It is necessary to allocate values to the slope coefficient, specifically β's, in order to investigate the potential relationship between the independent variable and the dependent variable. After comprehending the importance of testing the β coefficient, we proceed to formulate the hypothesis as

H_0: $\beta_i = 0$

H_1: $\beta_i \neq 0$ (i = 1,2,3,…10)

RESULT

After defining the econometric model and establishing hypotheses, the data is now subjected to statistical operations using STATA. The process begins with running a regression involving one dependent variable and ten independent variables, all of which were previously described in the paper. It is crucial to mention that lagged values of the dependent variable are considered during the regression analysis with the independent variables. This is due to the possibility of data being influenced by reporting and timing issues, as discussed in the research methodology. Specifically, we examine FDI inflows for the year 2016 and regress them against the ease of doing business indicators for 2017. Upon reviewing Table 2, it is evident that the model, based on 188 observations, has an overall $R2$ of 0.1513. This indicates that only 15.13% of the variation in FDI inflows can be explained by the factors related to the ease of doing business. Furthermore, with an adjusted $R2$ of 10.33%, the model does not provide a strong fit for explaining the relationship between FDI inflows and the ease of doing business. However, the p-value of 0.001 demonstrates that the overall model is statistically significant. Additionally, we can analyze the direction and magnitude of the impact of the β coefficients associated with each independent variable

TABLE 2: REGRESSION ANALYSIS

Source	SS	df	MS	Number of obs = 188		
				F(10, 177)	=	3.15
Model	2508.46241	10	250.846241	Prob > F	=	0.0010
Residual	14073.1611	177	79.5093847	R-squared	=	0.1513
				Adj R-squared	=	0.1033
Total	16581.623	187	88.6717834	Root MSE	=	8.9168

Source: STATA

The regression summary output provides a clear explanation that certain variables, such as Dealing with Construction Permit, Registering Property, Paying Taxes, Trading across Borders, Enforcing Contracts, and Getting Electricity, have a positive impact on FDI inflows. This implies that in order for a country to increase its FDI inflows, it should focus on improving these variables. Additionally, the only variables that are statistically significant (at $\alpha = 0.05$) in the model are Dealing with Construction Permit, Getting Credit: Depth of Credit, and Trading across Borders. This means that seven out of the ten independent variables in the model do not have an influence on the dependent variable. In such a scenario, it is important to check for outliers in the model.

To address this, we predict the residuals and exclude the high leverage variables from the model, resulting in a dataset with 178 observations instead of 188. We then perform statistical operations on this adjusted dataset. The results (Table 3) show that removing outliers from the data has been beneficial, as the overall $R2$ has increased to 0.22. This means that 22% of the variation in FDI inflows can be explained by the ease of doing business indicator. Furthermore, the p-value remains low, indicating that the model is highly significant. However, it is important to note that a low $R2$ but high significance can pose a problem for the model.

Therefore, we will draw conclusions about the findings once we validate the assumptions of the model. Verifying these assumptions will help address any potential issues with incorrect results. If any assumptions are violated, we can modify the data in a way that maintains the model's significance and minimizes the sum of squares of residuals, which is the ultimate objective of least square estimators.

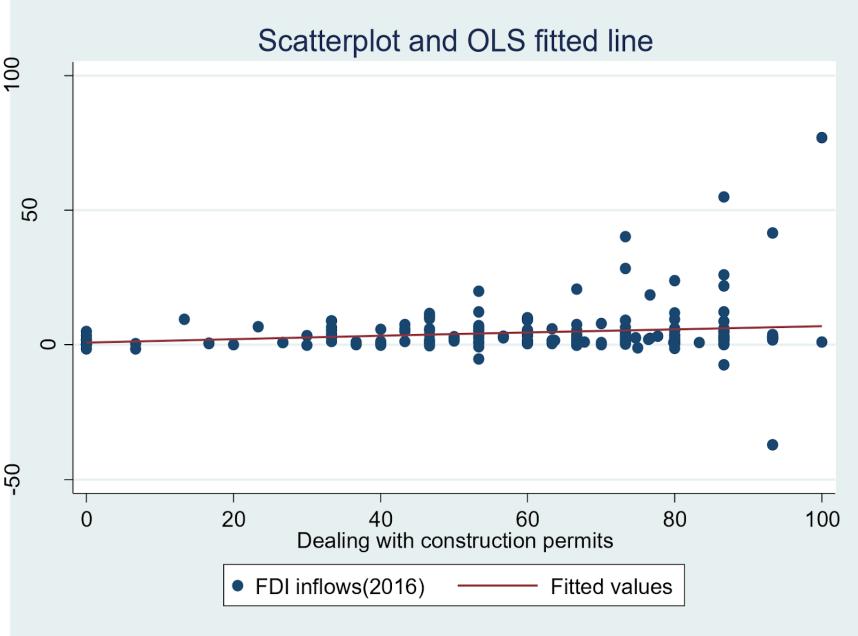
TABLE 3 : REGRESSION ANALYSIS (ADJUSTED DATA)

Source	SS	df	MS	Number of obs = 178		
				F(10, 167)	=	4.74
Model	3196.70403	10	319.670403	Prob > F	=	0.0000
Residual	11272.9565	167	67.5027337	R-squared	=	0.2209
				Adj R-squared	=	0.1743
Total	14469.6606	177	81.7494947	Root MSE	=	8.216

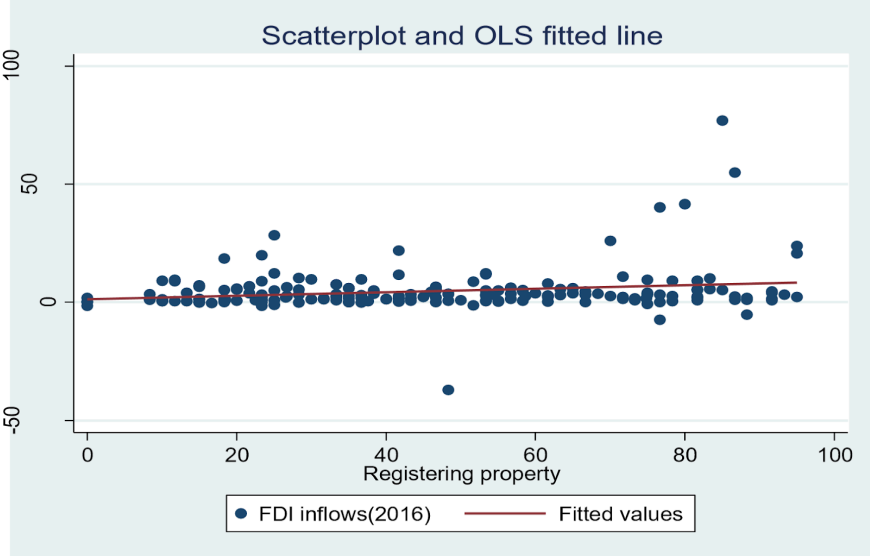
SOURCE: STATA

LINEARITY

The verification process commences with the examination of the linearity of parameters βis. To validate the linearity of these parameters, we analyze the scatter plots of the corresponding variables. In the majority of cases, the scatter plots exhibit a clustering effect near the fitted line, indicating an almost linear relationship with the dependent variable. Below, we have provided scatter plots for two variables: Dealing with Construction Permits and Registering Contracts.

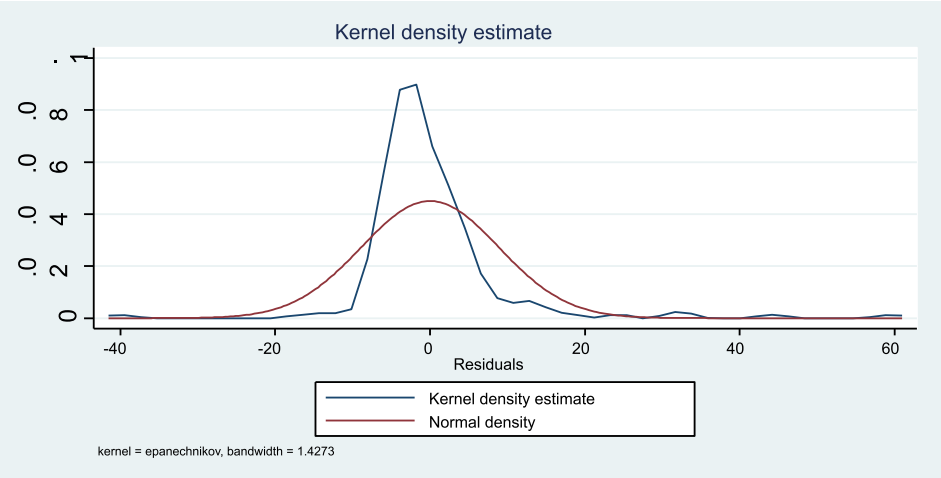


The data shows that most of the observations are concentrated around the regression line. Nevertheless, variables such as Getting Credit, Protecting Minority Investors, and Resolving Insolvency exhibit an unclear trend in their scatter plot, making it difficult to draw any conclusions about their linearity.


Scatterplot and OLS fitted line
100
50
0
-50
0
20
40
60
80
100
Registering property
FDI inflows(2016)
Fitted values

NORMALITY

To establish normality, the non-parametric method of Kernel Density plot is utilized, as depicted in the figure below. Kernel Density Estimation produces a plot with a normal density that is superimposed on the plot. The graph below reveals a highly peaked pattern of KDE, suggesting leptokurtosis. Additionally, some degree of skewness is also evident.



In addition to utilizing the graphical method to assess normality assumptions, we performed the Shapiro-Wilk W test with the null hypothesis that the data follows a normal distribution. The analysis revealed a p-value lower than the significance level ($\alpha = 0.05$), leading to the rejection of the null hypothesis and indicating a lack of normality in the model.

HOMOSCEDASTICITY

Homoscedasticity can be visually assessed by utilizing the 'rvf plot' command in STATA. The graph illustrates a funnel-shaped pattern, indicating the presence of heteroskedasticity in the model. To further investigate this assumption, we conduct the Cameron and Trivedi's IM Test. This test establishes the null hypothesis for the absence of heteroskedasticity, skewness, and kurtosis. The results show that when p-values are less than α for heteroskedasticity and skewness, we reject the null hypothesis and infer the presence of heteroskedasticity in the model. Heteroskedasticity appears to be a more common issue in cross-sectional data compared to time series data. This is primarily due to the fact that cross-sectional data is susceptible to outliers, as only one time period is considered in the analysis. (See Table 3)

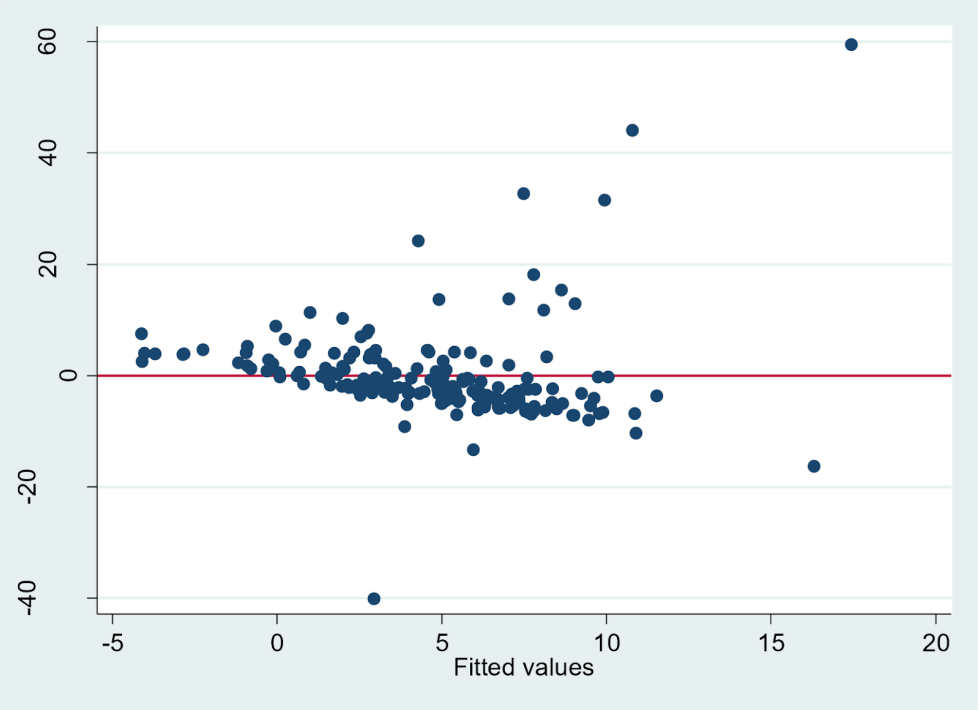


TABLE 4: IM TEST RESULTS

Cameron & Trivedi's decomposition of IM-test			
Source	chi2	df	p
Heteroskedasticity	127.31	65	0.0000
Skewness	29.34	10	0.0011
Kurtosis	1.79	1	0.1810
Tota	158.44	76	0.0000

SOURCE:STATA

MULTICOLLINEARITY

The presence of multicollinearity in a statistical model can have a significant impact on the test's statistical power. It suggests that the independent variables are highly susceptible to large variations, making them overly sensitive to even minor changes in the model. To address this issue, we analyze the Variance Inflation Factor (VIF) and Tolerance level to monitor and control multicollinearity. A VIF value greater than 10 serves as a threshold for identifying the presence of collinearity among the variables. In our analysis, we have determined that the mean VIF is 1.76, indicating that the model is free from multicollinearity.

SPECIFICATION BIAS

Specification bias primarily deals with the selection of variables to be incorporated into the model. This issue arises when an independent variable, which is connected to both the dependent and independent variables, is left out of the analysis. Specification bias can result in distortions within the model, posing a significant obstacle to its overall effectiveness. To detect specification bias in models, we utilize the link test. This test generates two new variables: the predicted variable, _hat, and the squared predicted variable, _hatsq. The model is then adjusted using these two variables. The predicted value, _hat, should be statistically significant, while _hatsq should not be, as correctly specified models should not rely heavily on squared predictions for explanation. By examining the p-values of _hatsq, we can conclude that it is indeed statistically significant, indicating the presence of bias in the model.

ROBUSTNESS CHECKS

The empirical attribute of any research is its robustness, which emphasizes quality assurance through replication and computation in any given situation. The goal is to ensure that the research is comprehensive in all aspects. It is recommended to perform the robustness check immediately after specifying heteroskedasticity. This is because the robustness results take into account the examination of heteroskedasticity. We can analyze the results from Table 5.

TABLE 5: ROBUSTNESS CHECK

		Robust				
FDIinflows2016	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
Dealingwithconstructionpermit	.110631	.0534272	2.07	0.040	.0051513	.2161107
Registering property	.0581464	.039732	1.46	0.145	-.0202953	.1365881
Getting Credit Legal Rights In	-.0049547	.0292258	-0.17	0.866	-.0626544	.052745
Getting credit Depth of credit	-.179089	.0653433	-2.74	0.007	-.3080944	-.0500836
Protecting minority investors	-.0218396	.0394544	-0.55	0.581	-.0997333	.0560541
Paying taxes .	00372	.0217923	0.17	0.865	-.0393038	.0467438
Trading across borders	.1409097	.0439164	3.21	0.002	.0542069	.2276125
Enforcing contracts	.005265	.0421174	0.13	0.901	-.0778861	.0884161
Resolving insolvency	-.0870965	.0455898	-1.91	0.058	-.1771032	.0029102
Getting electricity	.0194689	.0299207	0.65	0.516	-.0396027	.0785405
_cons	3.081862	2.546009	1.21	0.228	-1.944649	8.108373

SOURCE: STATA

CONCLUSION

The purpose of this study was to analyze the role of "ease of doing business" indicators in promoting foreign direct investment (FDI) growth. We utilized the Doing Business indicator, introduced by Simeon Djankov at the World Bank in November 2001. Specifically, we focused on indicators such as dealing with construction permits, obtaining electricity, registering property, accessing credit (legal rights index and depth of credit information index), protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency as independent variables. The dependent variable in our analysis was FDI inflows. Surprisingly, our findings revealed that only four out of the ten variables had a significant impact on FDI inflows, indicating a negative relationship between ease of doing business and FDI inflows. However, it is important to note that there was no strong evidence to disprove this relationship.

Four indicators that yielded significant results were the handling of construction permits, the depth of the credit information index for obtaining credit, trading across borders, and resolving insolvency. The analysis revealed that dealing with construction permits had a positive and significant impact on explaining the effect of FDI inflows. This suggests that when it is easier for investors to obtain construction permits, FDI inflows in those economies increase. Countries that have less stringent requirements for construction permits have experienced a high influx of FDI. Examples of such countries include Singapore, the Netherlands, and Ireland, which have attracted significant FDI inflows due to the availability of easy construction permits. Another contributing factor to this outcome is the presence of efficient administration and reduced corruption, which makes it more attractive for investors to consider expanding their businesses. On the other hand, the depth of the credit information index for obtaining credit showed a highly significant and negative impact on FDI inflows. This implies that countries with easy access to timely, reliable, and accurate data on borrowers' credit experiences attract more investments. Improving access to credit information can be achieved by simplifying the creation and enforcement of collateral agreements and by increasing the availability of information about potential borrowers' creditworthiness.

Similarly, trading across borders also demonstrated positive and significant results in relation to FDI inflows. This suggests that countries with less stringent rules and regulations on trade reforms across borders experience an increase in FDI inflows.

The impact of paying taxes on FDI inflows is both positive and highly insignificant. This suggests that the influence of taxes on FDI inflows depends on the specific type of tax. However, it can also be concluded that paying taxes does not adequately explain the impact on FDI inflows. Similarly, enforcing contracts has a positive but highly insignificant impact on FDI inflows, indicating that regulatory enforcement contracts do not account for FDI inflows in a country. This can be further explained by the fact that countries with binding contracts and stringent business laws create a dilemma for investors, which becomes a major factor to consider when making investments. However, studies have shown that FDI is associated with lower enforcement costs, especially in countries with higher levels of debt. Other variables that were not considered in this research also turned out to be insignificant in determining the impact of ease of doing business on FDI inflows. Registering property and obtaining electricity had a negative and insignificant impact, while protecting minorities also had a negative and insignificant impact. These variables did not provide explanatory evidence for research on FDI inflows. Based on the overall results of this research, we have rejected the hypothesis and concluded that ease of doing business indicators do not have an impact on FDI inflows. One reason for this conclusion is that there are other indicators that can provide a better understanding of the impact on FDI. Factors such as wage rates, labor skills, transportation and infrastructure, political stability, and exchange rates can potentially influence investors' decisions across countries. Developed countries have found it more profitable to outsource their services to countries with low wage rates and skilled labor. India and the Philippines are examples of countries that have benefited from these factors, attracting significant investments in call centers due to their English-speaking population and low wage rates. Countries with low transport cost and good infrastructure facilities are also responsible for major factors in considering FDI inflows.

Due to the unavailability of data and time constraints, this study is limited to analyzing only 178 countries. Although all variables indicating the 'ease of doing business' index were used, the study could have been more exclusive and effective. It is important to note that this research does not promise to provide significant conclusions compared to other studies in the near future, mainly due to the potential existence

of a more up-to-date database. The heterogeneity among countries also posed a significant challenge in assessing the overall significance of the model. Additionally, data can be susceptible to manipulation and misinterpretation, which further complicates obtaining precise results. In light of these limitations, it is recommended that future researchers adopt a comparative analysis of two distinct groups of countries, such as developed and underdeveloped nations. This approach would provide valuable insights into the dynamics of the Doing Business Indicators.

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