

Economic and Political Determinants of Bilateral FDI between Italy and India

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Abstract

Albeit globalisation has resulted in a greater number of projects involving international capital flows among the countries, bilateral FDI flows between many pair of countries are yet to occur. Hence determinants of bilateral FDI flows have drawn attention among the researchers. However these studies considering either economic factor or political factor explain only partially the variation in total FDI flows. No studies have considered both the factors together to analyse the same. This article tries to bridge that gap by adopting econometric analysis to explain the bilateral FDI flows between India and Italy. This study adopt a gravity approach and observes that along with the economic factors, political factor has a strong influence in determining the bilateral FDI flows between India and Italy.

Keywords: Bilateral FDI, Trade, Gravity Approach, Political Factors