**Supplementary file for results of robustness tests**

**Table S1: Effect of Absolute Institutions (worse and better institutions than India)**

|  |  |  |
| --- | --- | --- |
|  | Worse institutions than India | Better institutions than India |
|  |  Stage 1FDI Location Choice |  Stage 2Scale of Investment |  Stage 1FDI Location Choice |  Stage 2Scale of Investment |
| Absolute Institutions | 1.5913\*\*\* | .1872 | -.0723 | .6242\* |
|   | (.5071) | (1.0513) | (.2421) | (.3747) |
| GDP Growth | -.033 | -.0496 | .0218 | .0379 |
|   | (.0273) | (.0445) | (.0245) | (.03) |
| GDP | .8469\*\*\* | .7285\*\*\* | 1.0852\*\*\* | 1.161\*\*\* |
|   | (.2037) | (.2482) | (.1208) | (.2291) |
| Patent Intensity | -.229 | -.0874 | -.0933 | -.2559 |
|   | (.1507) | (.1482) | (.1499) | (.1729) |
| Natural Resources | -.0173 | .0126 | -.0334 | .028 |
|   | (.0169) | (.0405) | (.0235) | (.032) |
| Exchange Rate | .0951 | -.0007 | .0266 | -.1352 |
|   | (.0949) | (.1052) | (.0601) | (.125) |
| Geographic Distance | -.2984 | -.896 | -.6865\* | -1.1845\* |
|   | (.4267) | (.5811) | (.3838) | (.6247) |
| Common Language | .7631 | 1.4342 | 1.4168\*\*\* | 1.66\*\* |
|   | (.8598) | (.8793) | (.4462) | (.6571) |
| Trade Intensity | .0135\*\* | .0067 | .01 | .0011 |
|   | (.0054) | (.0049) | (.0061) | (.0023) |
| Openness | .0351\*\*\* |  | .0016\*\*\* |  |
|   | (.0094) |  | (.0006) |  |
| Inverse Mills Ratio |  | -.7888 |  | .372 |
|  |  | (.8725) |  | (.5601) |
| Year Dummies | Yes | Yes | Yes | Yes |
| Constant | -21.445\*\*\* | 2.7728 | -21.4929\*\*\* | -8.6916 |
|   | (7.4522) | (8.3307) | (5.2399) | (7.6759) |
| Observations | 480 | 326 | 735 | 517 |
| Log Likelihood | -165.774 |  | -211.542 |  |
| R-squared |  | 0.36 |  | 0.38 |
| Chi2 | 84.95\*\*\* | 125.05\*\*\* | 129.75\*\*\* | 87.52\*\*\* |

Notes: Cluster robust standard errors in parentheses. \*\*\*, \*\*, \* indicates statistical significance at 1%, 5%, and 10% level respectively.

**Table S2: Effect of Relative Institutions (Worse and better institutions than India)**

|  |  |  |
| --- | --- | --- |
|  | Worse institutions than India | Better institutions than India |
|  |  Stage 1FDI Location Choice |  Stage 2Scale of Investment |  Stage 1FDI Location Choice |  Stage 2Scale of Investment |
| Relative Institutions | -1.751\*\*\* | -.0317 | -.1052 | .6531\* |
|   | (.5208) | (1.1171) | (.2539) | (.3743) |
| GDP Growth | -.0342 | -.0478 | .0217 | .0397 |
|   | (.0271) | (.0451) | (.0245) | (.03) |
| GDP | .8485\*\*\* | .7341\*\*\* | 1.0918\*\*\* | 1.1491\*\*\* |
|   | (.2022) | (.2504) | (.1232) | (.229) |
| Patent Intensity | -.2372 | -.0824 | -.0864 | -.2655 |
|   | (.1503) | (.1483) | (.1506) | (.1738) |
| Natural Resources | -.0172 | .0116 | -.0343 | .0274 |
|   | (.0169) | (.0401) | (.0236) | (.0319) |
| Exchange Rate | .0954 | -.0001 | .0259 | -.1424 |
|   | (.0942) | (.106) | (.0608) | (.1243) |
| Geographic Distance | -.3121 | -.8728 | -.6881\* | -1.1678\* |
|   | (.423) | (.5696) | (.3841) | (.6243) |
| Common Language | .7142 | 1.4532\* | 1.4247\*\*\* | 1.6512\*\* |
|   | (.8487) | (.8788) | (.4496) | (.6586) |
| Trade Intensity | .0133\*\* | .0067 | .01 | .001 |
|   | (.0053) | (.0048) | (.0062) | (.0023) |
| Openness | .0345\*\*\* |  | .0016\*\*\* |  |
|   | (.0093) |  | (.0006) |  |
| Inverse Mills Ratio |  | -.7816 |  | .3514 |
|  |  | (.8835) |  | (.5548) |
| Year Dummies | Yes | Yes | Yes | Yes |
| Constant | -21.6678\*\*\* | 2.3583 | -21.5257\*\*\* | -8.781 |
|   | (7.3882) | (8.3812) | (5.2445) | (7.6813) |
| Observations | 480 | 326 | 735 | 517 |
| Log Likelihood | -165.161 |  | -211.496 |  |
| R-squared |  | 0.35 |  | 0.39 |
| Chi2 | 83.18\*\*\* | 121.58\*\*\* | 127.88\*\*\* | 87.51\*\*\* |

Notes: Cluster robust standard errors in parentheses. \*\*\*, \*\*, \* indicates statistical significance at 1%, 5%, and 10% level respectively.

**Table S3: Regression results (Effect of absolute institutions/institutional quality) (Geographic distance measured from Mumbai rather than Delhi)**

|  |  |
| --- | --- |
|  | Stage 1: FDI Location Choice |
| Variables  | Model 1Full Sample | Model 2Below Median | Model 3Above Median | Model 4Bottom Quartile | Model 5Top Quartile |
| Absolute Institutions | .333\* | 1.498\*\*\* | -.149 | 2.589\*\*\* | .109 |
|   | (.189) | (.507) | (.252) | (.812) | (.502) |
| GDP Growth | .007 | -.025 | .015 | -.049 | .017 |
|   | (.018) | (.026) | (.023) | (.032) | (.023) |
| GDP | .902\*\*\* | .982\*\*\* | .992\*\*\* | 1.005\*\*\* | 1.433\*\*\* |
|   | (.112) | (.221) | (.123) | (.339) | (.252) |
| Patent Intensity | -.169 | -.226 | -.001 | -.435\*\* | -.428 |
|   | (.111) | (.159) | (.144) | (.194) | (.270) |
| Natural Resources | -.021 | -.021 | -.038 | -.058\*\*\* | -.066 |
|   | (.016) | (.017) | (.023) | (.019) | (.086) |
| Exchange Rate | .048 | .126 | .002 | -.097 | .053 |
|   | (.059) | (.099) | (.058) | (.139) | (.098) |
| Geographic Distance | -.369 | -.461 | -.793 | -.877\* | 1.291 |
|   | (.428) | (.516) | (.513) | (.528) | (1.085) |
| Common Language | .941 | 1.223 | 1.088\*\*\* | -1.383 | 1.975\* |
|   | (.582) | (.964) | (.418) | (1.298) | (1.08) |
| Trade Intensity | .011\*\*\* | .015\*\* | .009 | .029\*\* | -.06\*\* |
|   | (.004) | (.006) | (.006) | (.012) | (.03) |
| Openness | .002\*\* | .032\*\*\* | .002\*\*\* | .040\*\*\* | .005\*\*\* |
|   | (.001) | (.0009) | (.001) | (.014) | (.001) |
| Year Dummies | Yes | Yes | Yes | Yes | Yes |
| Constant | -20.673\*\*\* | -23.518\*\*\* | -16.889\*\*\* | -20.710\*\* | -50.519\*\*\* |
|   | (4.625) | (8.226) | (6.516) | (9.812) | (14.994) |
| Observations | 1215 | 542 | 673 | 240 | 394 |
| Log Likelihood | -407.982 | -181.812 | -195.291 | -90.058 | -81.079 |
| Chi2 | 95.14\*\*\* | 80.58\*\*\* | 119.04\*\*\* | 1326.97\*\*\* | 5868.44\*\*\* |

|  |  |
| --- | --- |
|  | Stage 2: Scale of Investment |
| Variables | Model 6Full Sample | Model 7Below Median | Model 8Above Median | Model 9Bottom Quartile | Model 10Top Quartile |
| Absolute Institutions | .164 | .261 | **.798\*** | .440 | **2.461\*\*\*** |
|   | (.334) | (.895) | (.425) | (1.368) | (.795) |
| GDP Growth | -.009 | -.041 | .036 | .041 | .040 |
|   | (.025) | (.038) | (.032) | (.080) | (.043) |
| GDP | .698\*\*\* | .661\*\*\* | 1.224\*\*\* | 1.003\*\*\* | 1.218\*\*\* |
|   | (.235) | (.250) | (.237) | (.287) | (.301) |
| Patent Intensity | -.099 | -.045 | -.293 | -.466\*\*\* | -.575\* |
|   | (.128) | (.144) | (.193) | (.136) | (.300) |
| Natural Resources | .009 | .0009 | .030 | .119\*\*\* | -.092 |
|   | (.028) | (.039) | (.033) | (.035) | (.140) |
| Exchange Rate | -.022 | -.019 | -.135 | -.130 | -.101 |
|   | (.072) | (.097) | (.142) | (.116) | (.179) |
| Geographic Distance | -1.150\*\* | -.1.188\* | -1.521\* | -2.051\*\*\* | .781 |
|   | (.519) | (.669) | (.892) | (.542) | (1.159) |
| Common Language | 1.430\*\*\* | 1.317 | 1.620\*\* | .747 | 1.177 |
|   | (.500) | (.813) | (.723) | (.761) | (.747) |
| Trade Intensity | 0.0008 | .007 | .002 | 0.001 | .009 |
|   | (.002) | (.005) | (.002) | (.002) | (.009) |
| Inverse Mills Ratio | -1.381\* | -.796 | .603 | -1.086 | -.446 |
|   | (.820) | (.806) | (.592) | (.681) | (.508) |
| Year Dummies | Yes | Yes | Yes | Yes | Yes |
| Constant | 5.912 | 7.905 | -7.659 | 1.650 | -32.947\*\* |
|   | (7.244) | (8.311) | (9.185) | (9.876) | (15.776) |
| Observations | 843 | 358 | 485 | 147 | 321 |
| R-squared | 0.36 | 0.36 | 0.38 | 0.59 | 0.45 |
| Chi2 | 175.91\*\*\* | 136.77\*\*\* | 83.21\*\*\* | 180.40\*\*\* | 233.34\*\*\* |

Notes: Cluster robust standard errors in parentheses. \*\*\*, \*\*, \* indicates statistical significance at 1%, 5%, and 10% level respectively.

**Table S4: Regression results (Effect of relative institutions/institutional distance) (Geographic distance measured from Mumbai rather than Delhi)**

|  |  |
| --- | --- |
|   |  Stage 1: FDI Location Choice |
| Variables  | Model 1Full Sample | Model 2Below Median | Model 3Above Median | Model 4Bottom Quartile | Model 5Top Quartile |
| Relative Institutions | -.559\*\* | -1.561\*\*\* | -.146 | -2.600\*\*\* | .124 |
|   | (.227) | (.516) | (.252) | (.803) | (.502) |
| GDP Growth | .001 | -.025 | .014 | -.049 | .017 |
|   | (.018) | (.026) | (.023) | (.031) | (.023) |
| GDP | 1.013\*\*\* | 0.997\*\*\* | .992\*\*\* | 1.007\*\*\* | 1.42\*\*\* |
|   | (.123) | (.222) | (.122) | (.339) | (.252) |
| Patent Intensity | -.060 | -.225 | -.002 | -.436\*\* | -.432 |
|   | (.105) | (.159) | (.145) | (.194) | (.270) |
| Natural Resources | -.034\*\* | -.023 | -.037 | -.058\*\*\* | -.067 |
|   | (.016) | (.017) | (.023) | (.019) | (.086) |
| Exchange Rate | .010 | .124 | .002 | -.098 | .055 |
|   | (.067) | (.098) | (.058) | (.139) | (.099) |
| Geographic Distance | -.491 | -.460 | -.793 | -.880\* | 1.292 |
|   | (.484) | (.523) | (.513) | (.526) | (1.083) |
| Common Language | 1.189\* | 1.238 | 1.088\*\*\* | -1.388 | 1.974\* |
|   | (.608) | (.964) | (.418) | (1.299) | (1.075) |
| Trade Intensity | .01\*\* | .015\*\* | .009 | .029\*\* | -.060\*\* |
|   | (.004) | (.006) | (.006) | (.012) | (.030) |
| Openness | .002\*\* | .032\*\*\* | .002\*\*\* | .040\*\*\* | .005\*\*\* |
|   | (.001) | (.010) | (.001) | (.014) | (.001) |
| Year Dummies | Yes | Yes | Yes | Yes | Yes |
| Constant | -20.611\*\*\* | -24.128\*\*\* | -16.847\*\* | -21.296\*\* | -50.574\*\*\* |
|   | (5.195) | (8.230) | (6.515) | (9.877) | (14.974) |
| Observations | 1215 | 542 | 673 | 240 | 394 |
| Log Likelihood | -406.792 | -181.945 | -195.300 | -89.986 | -81.074 |
| Chi2 | 97.44\*\*\* | 79.31\*\*\* | 119.15\*\*\* | 1375.90\*\*\* | 5996.34\*\*\* |

|  |  |
| --- | --- |
|  | Stage 2: Scale of Investment |
| Variables | Model 6Full Sample | Model 7Below Median | Model 8Above Median | Model 9Bottom Quartile | Model 10Top Quartile |
| Relative Institutions | .584\*\* | .023 | .851\*\* | -.374 | 2.463\*\*\* |
|  | (.268) | (.983) | (.428) | (1.363) | (.804) |
| GDP Growth | -.002 | -.036 | .036 | .041 | .040 |
|  | (.024) | (.038) | (.032) | (.079) | (.043) |
| GDP | .758\*\*\* | .671\*\*\* | 1.222\*\*\* | 1.003\*\*\* | 1.217\*\*\* |
|  | (.174) | (.258) | (.237) | (.287) | (.301) |
| Patent Intensity | -.161 | -.041 | -.300 | -.465\*\*\* | -.574\* |
|  | (.107) | (.146) | (.193) | (.136) | (.301) |
| Natural Resources | .009 | .008 | .030 | .118\*\*\* | -.092 |
|  | (.019) | (.039) | (.034) | (.035) | (.141) |
| Exchange Rate | -.014 | -.020 | -.131 | -.130 | -.101 |
|  | (.071) | (.098) | (.142) | (.116) | (.180) |
| Geographic Distance | -1.090\*\* | -1.134\* | -1.548\* | -2.046\*\*\* | .776 |
|  | (.449) | (.670) | (.893) | (.541) | (1.160) |
| Common Language | 1.387\*\* | 1.366\* | 1.629\*\* | .745 | 1.179 |
|  | (.499) | (.823) | (.724) | (.762) | (.747) |
| Trade Intensity | .001 | .007 | .002 | 0.001 | .009 |
|  | (.002) | (.004) | (.002) | (.002) | (.009) |
| Inverse Mills Ratio | -1.060\*\* | -.782 | .607 | -1.086 | -.452 |
|  | (.461) | (.813) | (.592) | (.681) | (.508) |
| Year Dummies | Yes | Yes | Yes | Yes | Yes |
| Constant | 2.642 | 7.015 | -7.652 | 1.524 | -33.389\*\* |
|  | (6.291) | (8.613) | (9.187) | (9.861) | (15.765) |
| Observations | 843 | 358 | 485 | 147 | 321 |
| R-squared | 0.36 | 0.36 | 0.38 | 0.59 | 0.45 |
| Chi2 | 132.18\*\*\* | 132.13\*\*\* | 83.60\*\*\* | 180.11\*\*\* | 234.06\*\*\* |

Notes: Cluster robust standard errors in parentheses. \*\*\*, \*\*, \* indicates statistical significance at 1%, 5%, and 10% level respectively.