Studies of Institutional Development, International Financial Flows and Emerging Markets

A thesis submitted for the degree of

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By

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Abstract

This thesis is based on three empirical studies which look into the role of institutions and political risks on the behaviour of cross-border capital inflows and exchange rates. The first empirical study, presented in Chapter 2, investigates the links between political risk and institutional quality features and cross-border capital flows of 28 African economies. Both FDI and bank inflows are considered over the period 1990 to 2014 and it is found that such risk and quality features are much more crucial determinants of FDI as opposed to bank inflows to the African region. Quantile regressions are also employed to provide a more thorough understanding of the effects of these risk and quality features throughout the inflows distributions and it is observed that such effects are nonlinear as they strengthen with the level of investment countries receive, especially FDI investment. These findings are found to be robust when accounting for various domestic and global determinants of capital flows applicable to African economies.

The second empirical study, examined in Chapter 3, considers the association between institutional quality and the volatility of FDI and cross-border lending inflows for 43 advanced and developing economies. The fixed-effect method is employed to quarterly data over the period 1995Q1 to 2018Q4 and demonstrate that through many features, strong institutions and low political risk contribute to lower capital flow volatility in both cases. More specifically, religious and ethnic tensions are highlighted as important factors for FDI volatility, while with bank lending we find lower corruption, ethnic tensions and higher bureaucracy quality to be the main aspects to control volatility. With both types of capital flows, increased ethnic tensions stand out as the most crucial factor causing higher volatility and government stability is shown to be the weakest. Overall, this study identifies a robust common pattern between both types of capital flows, implying that policymaking through institutional settings can prove to be an effective collective remedy to increased volatility of capital flows.

The third empirical study, explored in Chapter 4, looks at the effects of institutional strength on the movement of real exchange rates of 25 emerging market economies. Using fixed effects method and monthly data over 1995M1 to 2018M12, the findings reveal that improvements in various aspects of institutional quality generate an appreciation of emerging market currencies,

providing significant evidence that exchange rates have been driven by factors beyond the conventional macroeconomic fundamentals. These institutional quality contemporaneous effects are found to be reversible when considering their corresponding delayed effects over previous 12 months, since we find evidence that indicators resulting in a contemporaneous appreciation of exchange rates exhibit the reverse delayed effects. This outcome underlines the continuous development of institutions for emerging markets to gain from the long-term appreciation of their currencies.

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Declaration

I hereby declare that this thesis has not been submitted for any other degree, award or qualification other than for my PhD at Brunel University London. I can also affirm that the thesis is based on my original work and is written by me except where otherwise acknowledged by citations and references.

Conference Papers

I presented Chapter 2 titled “Political Risk, Quality of Institutions and Cross-border Capital Flows – Evidence from African Economies” at the Brunel University Research Student Conference (in a poster session) at Brunel University London, 4th July 2017, at the 6th Annual Money, Macro and Finance (MMF) PhD Conference (in a poster session) held in the Department of Economics at City, University of London in conjunction with Bank of England and Birkbeck College, 1st May 2019, and at the 6th Young Finance Scholars’ Conference at the University of Sussex, 14th June 2019.

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List of Abbreviations

AIC	Akaike Information Criteria
AR	Autoregressive
ARIMA	Auto Regressive Integrated Moving Average
BIS	Bank for International Settlements
CBOE	Chicago Board Options Exchange
CFM	Capital flow management
CPI	Consumer Price Index
EPU	Economic Policy Uncertainty
ESG	Environmental, Social and Governance Principles
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investment
GARCH	Generalized Autoregressive Conditional Heteroskedasticity
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
ICRG	International Country Risk Guide
IFS	International Financial Statistics
IMF	International Monetary Fund
IPI	Industrial Production Index
MA	Moving Average
MENA	Middle East and Northern Africa
MNE	Multinational Enterprise
NAT	Net Aid Transfers
NFA	Net Foreign Assets
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
PPP	Purchasing Power Parity
PRS	Political Risk Services
QE	Quantitative Easing
S&P GSCI	Standard & Poor's Goldman Sachs Commodity Index
SDG	Sustainable Development Goals
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
USD	United States Dollar
VIX	Volatility Index

CHAPTER 1

Introduction

1.1 Context and background

International capital flows play a vital role in the economic and social development of developing and emerging market economies. It is now well established that they stimulate economic growth, infrastructure development in key sectors of the economy, and generate employment opportunities at all levels, impacting on the economic and social well-being of their populations. However, during the past few decades, the track record of several, if not most of the developing and emerging economies have not been eloquent despite significant flows of foreign capital to these countries. An example is the African continent, which despite being renowned for its abundance of natural and mineral resources, has continued to bear extreme poverty in several countries. Most of these countries and their mainstream populations have not only not benefited from such capital inflows but have seen their economic and social situation deteriorating over time. Several sectors have immensely suffered due to lack of or inadequate basic infrastructure, such as transportation, energy, health and education facilities, and social projects destined for the poor and vulnerable groups. These are unfortunately some of the harsh realities on the ground even though a large part of these international financial flows has been attained under the view of regional and international institutions, questioning the extremity of these countries' conditions. At the same time, foreign exchange markets have become powerful platforms which have a direct influence on the outlook of many countries worldwide, especially in developing and emerging market economies, such that recurring fluctuations of their currencies have led them to face severe consequences (IMF, 2019). Volatile exchange rates induce higher inflation uncertainty, impeding on a country's economic performance, productivity and servicing of foreign debts, which in turn impact on business profits and net worth, raising the bar for firms to fund investment (Aghion et al., 2009). As a result, managing exchange rates has become an important mechanism not only for economic and financial stability, but ultimately for economies to develop investors' confidence and fuel their investment potentials.

1.2 Research gap

The recent years have witnessed a surge of detailed studies on the outcomes of the international funding and the dynamics of financial markets in developing and emerging economies. Several factors have been identified to have contributed to the disastrous state of affairs in these countries which include exchange rate fluctuations, high inflation, trade deficits and less effective economic and monetary policies in light of underdeveloped financial markets, especially credit markets or low credibility of central banks, among others. So far, however, the role of other fundamental factors, namely political risks and political intervention in the function of domestic institutions, politically motivated policy decisions, thus, poorly managed institutions, lack of transparency in policy decisions and practices have not been adequately addressed. The role of institutions is particularly important since such institutional aspects are in theory the heart of all disciplines and decisions making, and the "building blocks" to understanding the process of economic progress (Platteau, 2000). They are a representation of the true social, political and cultural norms and structures in which the economy is embedded. They have a substantial impact on corporate performance, may reduce negative externalities, alleviate risks and promote financial stability through the emergence of principles backed with disclosure and transparency. They all contribute not only to the incorporation of sustainability considerations in investment and firm strategies and, hence, increasing the possibility to advance their international investment prospects, but can also instigate shifts on investors sentiment and limit speculative attacks on currencies, aiding to promote steadier financial conditions (IMF, 2019).

There is a small literature that proves that poor macroeconomic performance and distortionary policies often stem from institutional weakness and political instability (Alesina et al., 1996; Acemoglu et al., 2003; Alesina and Ferrara 2005; Acemoglu, 2006). Acemoglu et al. (2003) question the role of standard macroeconomic factors that are often blamed to cause economic crises and high volatility in a country. Following their analysis, they affirm that macroeconomic distortions are created when politicians and leaders in power in weak institutions are inclined to expropriation of different instruments of the society and to taking advantage of the various opportunities arising from them. Moreover, it has often been stated that countries with weak institutions or institutional failures are unable to handle global shocks which has also been the reason to poor economic growth (Rodrik, 1999; Johnson et al., 2000;

Eichengreen and Bordo, 2002). These studies' outcome suggests that the reasons, such as poor macroeconomic performance and policies, that have been previously and continuously named as the drivers of international finance are in essence rooted in the behaviour and strength of a country's institutions, making institutional arrangements potent factors to navigate more efficiently through poor performance of investment flows and financial markets. Identifying the institutional channels that are associated within such avenues is however fairly recent, with many unanswered questions about their associations, especially when it comes to less developed, transition and growing economies. Hence, this thesis's main objective is to contribute this area of research by attempting to address this gap and aiming to expand the knowledge on the matter.

1.3 Research aims

This thesis, as the title suggests, consists of three studies within the field of international financial research. The central theme running through the thesis is devoted to the relevance of institutional and political dimension of development to the modern financial world, especially in developing and emerging market economies. As mentioned in the previous subsection, the main aim of all research conducted is to identify the features that drive certain financial aspects taking into account country specific information so that relevant policies can be developed.

The first two studies deal with institutions that matter for cross-border capital flows throughout different regional settings. The first study is elaborated in **Chapter 2**, where the extent to which cross-border capital flows to African economies are influenced by political risk is specifically examined. The motivation behind this particular study stems from the fact that political instability and insecurity have continuously been among the major obstacles to African economies for many years. Despite their economic progress, sustained stability even throughout the most volatile periods, and advancement in their investment potentials through increased sectoral diversification, their ability to attract foreign investors and increase their capital flow levels have not improved significantly. The fact that their foreign investment continues to remain among the lowest in the world has raised many questions and concerns as to whether this is associated to their exposure to political instabilities. What is known about the effects of political risk on capital flows is largely derived from studies undertaken in various panel settings. As such, the primary aim of this chapter is to provide a deeper understanding

on the relationship between political risk and capital flows focusing solely on African economies. In this way, implications made on this subject can be more specific to the continent and not be generalised as it has previously been laid out in the literature.

The second study is developed in **Chapter 3**, where the behaviour of financial flows is revisited and the impacts of institutional quality on the volatility of cross-border capital flows are assessed. Large volatile capital flows have become a major concern to many developed and developing countries worldwide due to their ability to accumulate macroeconomic and financial sector vulnerabilities, amplifying systemic risks and jeopardising the financial stability of such economies (Claessens and Ghosh, 2013). Many researchers have often proposed that economies exposed to such volatility and their consequences should build resilience through their institutions (e.g. Moreno et al., 2016), and yet, to date, there are no precise information or awareness as to how countries can use them to their own benefit. Hence, the main purpose of this specific study is to add to the literature on capital flows volatility by providing more detailed coverage on the effects of institutional strength, with the aim to identify the features that would best aid to limit volatility of financial flows.

In the third study in **Chapter 4,** the inquiry about the contributions of institutions continues with a shifted focus to those responsible for regulating and overseeing foreign exchange markets, more particularly in regard to the movement of currencies in emerging market economies. This study is built upon the major imbalances that emerging market currencies have faced over the last decades pertaining to several currency crises as well as considerable fluctuations, especially depreciations and devaluations to some extent, in their currencies. Such unfavourable conditions in currency markets have often been witnessed within economies which also suffer from critical political and social weaknesses, while countries with relatively sound institutions have found their currencies to appreciate over time. These associations signal the potential of institutional strength as an important remedy to emerging market currencies, though, once again, there has been little discussion and empirical evidence about their contribution to the behaviour of exchange rates. As such, the aim of this specific study is to examine the extent to which the level of exchange rates is impacted by various features of institutions, seeking to uncover new information in particular line of research.

1.4 Contribution to knowledge

Following the background and research objectives set out in the previous subsections, this thesis contributes to the literature from various focal points. In Chapters 2 and 3, the analysis takes into account two types of capital flows in the analysis, FDI inflows and foreign bank inflows. This contributes to the literature as it provides a basis to compare their individual determinants and understand the difference in effects of investment flows. For example, Chapter 2 reveals that political risk plays an important role in determining FDI inflows more than it does for foreign bank inflows as we find a limited influence of the political risk factors on bank lending. From Chapter 3 we find that volatility of FDI and bank flows are impacted in the same way, i.e., they can both be reduced with strong institutions. Although the specific drivers are not identical, the outcome shows that regulating and monitoring specific institutions can be an effective method to tackle high volatility collectively, which is particularly enlightening given the continuous debate in the respective literature due to inconsistency of results between the types of capital flow.

Another main contribution of the thesis is linked to establishing whether countries receiving lower capital flows are affected in the same way as countries receiving higher capital inflows. Such enquiry is pursued in Chapter 2 using a quantile regression method, which to the best of our knowledge had not been employed in this line of research. This specific approach accounts for various levels of inflows which allows to assess the distributional range that is more impacted. The analysis provides significant evidence that the effects vary across the entire flow distribution, indicating that countries are affected based on the volume of inflows they receive and suggesting that the effects of political risk are non-linear. Such outcome proves the importance of looking into non-linear methods when there are large variations in the data, which is the case for the sample for which the analysis is conducted.

Additionally, another significant contribution of the thesis across all empirical chapters are associated with the type of political risk data employed. To pursue the studies, a wide range of indicators covering various formal and informal aspects of political risks, institutional quality and governance are considered. They consist of government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and

bureaucracy quality. The use of these indicators widens our knowledge on which institutional features are important in each study. For example, in Chapter 2, political risks are found to generate mixed effects to capital flows. In terms of FDI, the strongest effects are found with government stability, socioeconomic conditions and internal conflicts, with both positive and negative coefficients. As for bank inflows, despite the limited effects, internal conflicts are found to be an important determining factor. This outcome does not only provide evidence that fluctuations in the political background of African economies have serious implications to foreign investors, although mostly for FDI investors, but also show that increased political uncertainty may not always disrupt investment as it would be expected.

In Chapter 3, in terms of FDI inflows, the principal causes of volatility are found with religious and ethnic tensions, suggesting that such tensions tend to create adversities such as pressure groups in the working environment, interfering with productivity leading to disruption in business operations and decisions as far as FDI is concerned. As for bank inflows, we find volatility to be triggered by higher corruption, ethnic tensions and poor bureaucracy quality. With ethnic tensions as the strongest determinant in both cases, the outcome underlines the economies' exposure to the unfavourable consequences of ethnic inequality, which is likely to be unappealing to foreign investors given the possibility of such inequality to spillover to the level of financial resources, assistance and opportunities provided. This outcome is backed by the study by Alesina and Ferrara (2005) who concluded that economic failures are associated with fractionalised societies. In Chapter 4, the results demonstrate that exchange rates of emerging economies tend to appreciate through improved government stability, socioeconomic conditions, investment profile, less internal conflicts and better law and order and democratic accountability, providing significant and unambiguous evidence on how the distinct institutions can contribute to such economies' currencies.

Another contribution of the thesis is associated with the empirical analysis of Chapter 4, where the tests look into the effects of institutions over specific time duration using their lags to observe their performance and relevance throughout time. This is the first study to conduct such an analysis and these specific findings reveal another layer to this link as we find that in all cases, the effects are not constant over time. While institutional improvement at present causes an appreciation in exchange rates, the same effects from the previous 12 months tend to generate a depreciation, indicating that institutional effects are likely to reverse over time. This outcome suggests that if institutions are not well enforced or maintained, they are likely to be

less effective over time, hinting at ways to limit their deterioration and build long lasting institutional strength so that emerging market currencies can benefit.

1.5 Thesis structure

The overall structure of the thesis takes the form of five chapters, including this introductory chapter. The three chapters, Chapters 2, 3 and 4 that follow are empirical chapters consisting of their respective introduction, literature review, methodology, results and discussion and conclusion and policy implication sections. Chapter 2 empirically assesses the role of institutions on capital flows of African economies. Chapter 3 is about an empirical investigation of the institutional drivers of capital flow volatility for developed and developing economies. Chapter 4 provides an empirical analysis of the extent to which various institutional features affect the behaviour of emerging market currencies. Lastly, Chapter 5 concludes the whole thesis.

CHAPTER 2

Cross-border Capital Flows to Africa: A closer look at the role of political risk and institutions

2.1 Introduction

Cross-border capital flow surges and reversals have become a global phenomenon in the recent years. A large number of papers have empirically established the role of pull (country-specific) and push (global) factors in these dynamics (see, e.g., Chuhan et al., 1998; Portes and Rey, 2005; Fratzscher, 2012; Sarno et al., 2016; among others), with flows to different host regions of developing and emerging economies somehow showing different sensitivity to such factors (see, e.g., Chuhan et al., 1998; Edison and Warnock, 2008; Fratzscher, 2012; among others). In this study, the main objective is to investigate what drives capital flows to Africa, a region which is understudied in the existing literature.

In the past fifteen years, countries in the African region have demonstrated remarkable economic resilience, especially throughout the global financial crisis of 2008-09, maintaining a strong real GDP growth rising to above 5% on average. The continent experienced a gradual financial liberalisation and has been perceived as an economy that is slowly accelerating both economically and financially, thereby witnessing a sharp increase in cross-border financial flows during the post crisis. Over a period of ten years, roughly from 2007 to 2017, it has seen its net flows, on average, rise from USD 70 billion to USD 113 billion (IMF, 2018). However, despite witnessing major development and other benefits from increased sources of external finance, the level of investment that Africa receives remains among the lowest when compared to other developing economies of the world.[1] Its foreign inflows has not once reached over 10% of the capital flows aimed at developing economies. Although the continent maintained its macroeconomic stability and has experienced increased diversification of investment in services, manufacturing and infrastructure-related projects, it continues to face major

[1] This associates Africa to the so-called Lucas paradox, namely why capital doesn't flow from rich to poor countries as one would expect given the lower levels of capital per worker in the African countries, where various explanations were provided for such a puzzle in recent years such as missing factors of production, lack of technology, bad policies, institutional framework and political risk, or capital market imperfections, among others (see, e.g., Lucas, 1990; Alfaro et al., 2008; Reinhardt et al., 2013; among others).

challenges on the economic front, with increased level of extreme poverty, lack of adequate infrastructure in the key sectors such as transport, energy, education and health, which exist even in the most developed countries of the continent, all resulting in poor financial conditions with large domestic imbalances including balance of payments or savings-investment deficit.[2] Such circumstances raise many questions about the way African economies manage their capital flows.

In the meanwhile, leading institutions in Africa have shown that political risk is still a major obstacle in the continent, having a major impact on its investment climate, with influences relating to political interventions in the running of institutions, problems of safety and security, law and order and the lack of rule of law. In fact, according to the IMF (2015), insecurity arising from lack of concrete policy in political institutions, civil wars and terrorist threats in some countries still prevail and remain a tough challenge for the African Union to resolve. Consequently, these acts of violence and widespread sufferings have led to impacts on economic activities and fiscal budgets, putting cross-border capital movement at risk. This is particularly important since various surveys in the past have emphasised on the growing levels of political risk as an essential determinant to capital flows (IMF, 2015). Foreign investors have ranked political risk among the top constraints to FDI, coming second only to macroeconomic instability, which has resulted in the cancellation or withdrawal of existing and potential investment projects in developing countries (World Bank, 2013). Political risk is broadly described as "unwanted consequences of political activity" and, therefore, relates to any political decision or event that impacts on investors, corporations or governments (Kobrin, 1982). Relatedly, Root (1972) defines political risk as the "possible occurrence of a political event of any kind (such as war, revolution, coup d'état, expropriation, taxation, devaluation, exchange controls and import restrictions), at home or abroad, that can cause a loss of potential profit or assets in an international business operation." These definitions suggest that political risk in host countries entails uncertainty that is associated with both government and political institutions and other instabilities caused by industrial actions leading to social unrest, erosion of public confidence, conflicts, terrorism and any other cross-border conflicts. Such uncertainties tend to arise from the inability to identify the outcome of these events, which then causes investors to disrupt, delay or increase costs of investment, leading to the potential fluctuations in capital inflows.

[2] Among the stated determinants, the empirical section only considers those for which data was available for the countries in the sample. Health and transportation were excluded due to data unavailability from early 1990's.

Africa's significant investment opportunities in several sectors of the economy to attract huge amounts of FDI together with its economic resilience demonstrates its immense potential to improve its financial performance and advance its economies. However, it appears that its financial progress has not been coherent, and countries of the region are still found to lag behind other developing economies which have not been as resilient. Therefore, there are numerous questions and doubts about the continent's resilience to political risks and to their influence on capital inflows. Assessing the influence of political risk in Africa on its cross-border capital flows would be a fundamental step to uncovering insights on the continent's condition, which, to date, is limited when it comes to this subject.

The contribution of the present study to the existing literature on capital flows and political risk can be summarised from the following perspectives. First, we examine the impact of various political risks and institutional quality features on capital flow dynamics to 28 African countries over the period 1990 to 2014 using a wide range of indicators measured by the Political Risk Services (PRS) group's International Country Risk Guide (ICRG) (i.e., 12 indicators in total). In this way, unlike previous related studies which mainly focus on the broader role of institutions, our paper takes a closer look at the role of various institutional features in driving capital flow dynamics to Africa. Our empirical analysis also carries out a wide range of robustness checks, such as controlling for various global and country-specific factors, among others. Although a few of previous studies included African countries along with other countries in their empirical panel data analysis, implications made on the findings are often generalised and, therefore, not necessarily applicable to relatively smaller growing economies like those in Africa, without regard to the specificities of several countries of the region, such as, landlocked countries.

Second, instead of focusing only on FDI inflows as in previous related studies (see, e.g., Buchanan et al., 2012; Lucke and Eichler, 2016), this paper extends its analysis to bank loans, which is another type of foreign investment. The composition of cross-border capital flows represents another challenging topic due to differences in their properties. While FDI, representing ownership and control, is considered as the most desirable and stable form of external financing, international bank lending is increasingly becoming a fundamental part of private capital flows since they provide stable access to foreign savings, boosting domestic investment and living standards. Daude and Fratzscher (2008) document that the composition

of these foreign flows is characterised by a pecking order, rather than to their degree of desirability, highlighting that each type of flows reacts differently in terms of their sensitivity to certain conditions. Investigating the role of political risk on these different types of foreign investment in this paper will assist in bringing more clarity on the extent to which each of them is affected by the same political factors, which will consequently contribute to the main aim of this paper, that is, to establish appropriate mitigating measures that would consequently boost the continent's investment opportunities.

Finally, unlike previous related studies which restrict the analysis to the conditional mean of the flows distribution, i.e., using Ordinary Least Squares (OLS) method (see, e.g., Asiedu, 2006; Busse and Hefeker, 2007; among others), this paper further investigates the asymmetric features of both FDI and bank flows by examining political risk effects across their respective entire distributions using a quantile regression approach. The latter is known to be a more reliable estimator due to its robustness against the presence of outliers and a fat-tailed distribution (Greene, 2019). This is particularly important in the African context since the continent consists of countries ranging from very poor and underdeveloped to developing ones where the investment levels may vary from one extreme to the other. This suggests that estimating effects on the average flows would be putting all countries in one basket whereas estimating the effect at different quantiles allows us to differentiate the effects among countries in the sample. To the best of our knowledge, this is the first paper to employ this econometric technique in the existing literature. Intuitively, political risk effects on both types of investment may differ throughout their respective distributions, since the reaction of surges and reversals relative to normal episodes of flows to the intensity of such exogenous risk effects may not be the same, especially for the African countries which suffered from a prolonged period of political instability.

The rest of this chapter is organised as follows. Section 2.2 reviews the existing literature on the relationship between foreign investment and political risk. Section 2.3 presents a description of the data used to study the impact of political risk on capital inflows. Section 2.4 specifies the models employed in the empirical analysis. The empirical results are presented and discussed in Section 2.5. Lastly, Section 2.6 concludes, and Section 2.7 provides various policy implications applicable specifically to this study.

2.2 Literature Review

2.2.1 Theoretical Background

The political environment of an economy has become a vital element to determine a country's potential to attract capital flows. From a theoretical point of view, it appears evident that foreign investors are drawn towards countries that have a desirable policy framework and are politically stable. However, understanding the dynamics of political risk and investment involves a complex analysis of a range of factors that fall under the circumstances under which investment occurs.

There is a well-developed literature attempting to explain the political constraints faced by multinational investors theoretically. Political risk is influenced by institutional factors and their effects on investment can be formal and informal (North, 1991). Helmke and Levitsky (2004) define formal institutions as a system of "rules and procedures" that are most likely to be set and enforced by the state officials, such as bureaucracies, laws, property rights and regulations. Following the complex nature of a country's quality of institutions in general, Holmes et al. (2013) claim that foreign investors, especially multinational enterprises (MNE) managers, are only concerned with formal institutions when they are in the form of regulatory, political and economic factors since they all contribute to the network of business operations.

Regulatory institutions can provoke different impacts on foreign investment depending on the framework behind government practices and their effects on firms. Foreign investment in host countries is boosted by assuring investors through well-established and transparent laws and regulations of organisations, aiming to reduce uncertainty and promoting a sound investment climate. In a competitive market, investors often judge the investment climate by how well they are able to enter and operate and how efficient their judiciary system is. Governments have the power to amend rules and regulations in a way to attract more investors, either by improving the country's economic situation through the enforcement of new laws for the protection of public goods or by ensuring the safety of property rights. The latter, which relates to the protection of physical and financial assets of foreign investors in host countries, are especially important when FDI is concerned as they involve risks of high production costs and expropriation of assets. Investors are, therefore, unlikely to proceed or get involved in countries where these regulations are weak. Moreover, Holmes et al. (2013) argues that more problems

arise when funds available for the development of new industries are diverted into inefficient projects, very often to meet personal interests. In many cases, investors are also discouraged in pursuing their activities further and are often forced to move to another country through government intervention to regulate businesses' activities when tight regulations, restrictions, high costs or undesirable taxation policies are involved. These factors all contribute to demonstrate how regulatory institutions can influence on a country's outlook to global investors and on their decisions to invest.

Another key factor by which foreign investment patterns are formally affected is through political institutions. Holmes et al. (2013) claim that political institutions are important as they create the possibility for MNE managers to establish and maintain good relationships with local government officials who would consequently have their best interest throughout the decision-making or policy-making procedures. However, the impacts of political institutions on investment depends on how steady or volatile the political regime is. There is a continuous debate on which system is more favourable to investors. On one hand, some authors argue that a democratic regime, that is, a system of government formed through elected representatives, reflect a lower political risk and is therefore more advantageous to investors (Li and Resnick, 2003). This is because in general the government in such regimes can help to stabilise policies since they have the power and ability to prevent changes in policy that could harm investors (Tsebelis, 2002) and, secondly, they allow multinational firms to foresee and lobby policy changes as such regime are known to be more transparent in the policy-making process (Rosendorff and Vreeland, 2006). Such transparency is often very well perceived as it does not only allow investors to identify and adapt to governmental concerns but improve their confidence which encourages them to get involved with the economy (Orr and Scott, 2008). On the other hand, however, democratic institutions sometimes appear to be unattractive to investors as being too transparent and responding also reflects the government's ability to impose restrictions and decline access to any kind of preferential treatment (Holmes et al., 2013). Moreover, Jensen (2008) argues that democracy can cause unpredictability and instability in cases where changes are based on the policymaker's preference that could potentially affect the economy's performance or can be simply due to recurring government changes via the electoral process. These factors would also explain why investors are often attracted to authoritarian regimes since the latter, to some extent, reflect a more stable environment and, therefore, a better investment climate.

The quality of economic institutions is another important factor affecting capital flows. This type of institution essentially influences a country's system of financial incentives due to impacts on market and non-market transactions, and therefore acts as a major determinant of an economy's stock of capital (Acemoglu et al., 2005). Holmes et al. (2013) argue that this can occur through monetary and fiscal policies which aim to promote domestic investment. While it benefits local firms, it raises several issues for multinational enterprises. Monetary policies often discourage investors to engage in the foreign market when the value of repatriated profits is at risk. Such situations occur when local investors' access to resources are protected by strong policies, such as high money supply and low interest rates, that could have serious impacts on the exchange rates and thus lead to a currency devaluation. Brewer (1993) mentions that these changes in monetary and exchange rate regimes arise as a result of market imperfections which can eventually have an indirect influence on foreign investment. Moreover, fiscal policies can affect capital inflows in cases where the government start to lack adequate resources to attract multinational enterprises while ensuring the provision of capital for local firms. Such situations encourage frequent use of budget deficits, causing the government to bear excessive costs of borrowing. This does not only increase the risk of illiquidity but also limit funds that could have been used as an incentive to attract foreign investors. Consequently, economic institutions that prioritise domestic investment may result in negative impacts on foreign investment flows.

While formal institutions trigger political risk through enforced constraints of government activities, informal institutions are private rules that are not enforced by the government (Williamson, 2009). They are defined as "socially shared rules, usually unwritten" that arise "outside of officially sanctioned channels" (Helmke and Levitsky, 2004). Examples include culture, traditions, customs, clientelism, corruption and so on. While informal institutions can facilitate exchanges of information and opportunities through trust and reputation, they are harmful to investors when they interfere with economic activities by encouraging unethical behaviour through business or personal networks (Seyoum, 2011). For instance, corruption[3] can occur within the government in the form of bribery, theft, patronage, nepotism and so on, and is generally perceived as a threat to investors as it can impact on any level of public offices within a country, ranging from parliamentary to local representatives. It can cause distortion in the economic and political environment as it generates inefficiencies, uncertainty and

[3] The World Bank broadly defines corruption as "the abuse of power for private gain".

instability in the political process, which lead to increases in operational costs to investors and consequently causing the investment climate of a country to dampen (Shleifer and Vishny, 1993).

2.2.2 Empirical Evidence

The theoretical literature on the effects of political factors on capital inflows highlights how investors are affected formally and informally. While it portrays the possible links between political risk and foreign investment, the existence of an actual relationship between the two factors are examined by empirical studies, illustrated in detail in this subsection. The empirical literature features the significance of multiple distinct political risk factors as determinants of foreign investment, reflecting both the formal and informal aspects of this risk.

On the formal side, various studies employed politically inclined factors such as democracy and have found mixed outcomes.[4] For example, Jensen (2003) assesses the impact of democracy on FDI for a sample of 114 countries and finds that democratic governmental systems attract higher levels of FDI to an economy. Jensen (2008) further explains that having control restricted to government officials aids to improve the investment climate for multinational enterprises (MNEs). This notion is supported in a more recent study by Wisniewski and Pathan (2014), who, for 33 OECD countries, evaluate the impact of the political environment on FDI by using a broader set of political factors; military spending, years in power, and an average age of the party. They find that FDI inflows are negatively affected by high military spending and a lack of political competition, while a democratic regime is beneficial to the host country as it can make an economy more investment friendly. On the other hand, Li and Resnick (2003) and Asiedu and Lien (2011) find contrasting results on democracy effects and explain that MNEs are more likely to benefit from better incentives and protection from labour unions under autocracy governance, thus, making democratic institutions less attractive.[5] They further show that the effects of democracy vary due to the

[4] Another formal indicator used in the literature is that of Julio and Yook (2016), where the timing of national elections as a proxy for political uncertainty was employed. Their findings reveal that FDI flows significantly decline prior and during an election and pick up when the uncertainty shrinks.

[5] There is another strand of literature who explore the effects of democracy and more formal political indicators on economic growth and find no consistent effects on economic growth (see Alesina et al., 1996 for more details). Other studies in this field find political risk, instability and more informal indicators to be detrimental to investment and which in turn deters economic growth and macroeconomic performance (see for e.g., Alesina & Perotti, 1996; Acemoglu et al., 2003; Alesina and Ferrara 2005).

developing stage of the economy, their political history and specific events that the countries may have undergone.

Moreover, in terms of the regulatory factors of political risk, Lothian (2006) claims that property rights and the quality of institutions, in general, affect foreign enterprises. In specific, he employs an index reflecting the degree of economic freedom (so-called Economic Freedom of the World Index (EFW)), composed of five component indices; the size of government, legal system and property rights, sound money, freedom to trade internationally and regulation, and examines its effect on FDI. He finds that for various country groups, higher EFW scores increase foreign investment, concluding that the latter is largely determined by the quality of institutions, where good (bad) institutional policies lead to higher (lower) capital flows. Du et al. (2008), on the other hand, uses three institutional indicators (namely, government intervention in business operations, property rights protection and government corruption) to investigate how agglomeration economies and government institutions affect the locational choice of FDI among different regions in China. The authors find strong evidence supporting the benefits of having government institutions to increase investment, and vice versa.

Other studies have assessed the effects of political risk using informal indicators, such as corruption, and have also found mixed results. For example, Egger and Winner (2005) find that corruption can act as a 'helping hand' such that MNEs are able to increase profits through administrative controls and bureaucracy discretion. This argument is supported by Barassi and Zhou (2012), who study the impact of corruption on FDI in 52 developed and developing countries around the world. Corruption, however, like democracy, remains among the most debatable determinants of FDI, as it has also been proved to be harmful to economies. For a sample of 89 developed, developing and transition economies, Habib and Zurawicki (2002) find that the level of corruption in host countries is a major hurdle to FDI. They explain that investors prefer to avoid such environment due to the costs, risks and traps that are involved in the process, such as lack of transparency and inefficient protection of investor's intellectual property, among others. Barassi and Zhou (2012) state that the lack of consistent outcome with corruption on foreign investment is due to the heterogeneous nature of their associations. Based on their analysis, they affirm that the effects of corruption depend on the level of FDI received by the country, and the location of the host country, emphasising on the importance of country specific conditions.

Another strand of literature features studies which examine the effects of political risk on FDI by using a range of institutional indicators as a measure. For example, six aggregate components reflecting the key aspects of governance were constructed by Kaufmann et al. (1999) and have been widely used by scholars over time; voice and accountability, political stability and violence, government effectiveness, regulatory quality, rule of law and control of corruption. For a sample of 164 developed and developing countries and using an aggregate measure of these indicators, Buchanan et al. (2012) examine the impact of institutional quality on FDI levels and volatility and find that good governance does not only attract more investment to host countries, but it is also a way to reduce the volatility associated with FDI.[6] For a sample of developed and developing countries, Lucke and Eichler (2016) further conclude that political risk is a stronger determinant of FDI in emerging economies than in developed ones. Other studies assess the impact of the indicators individually, find that there are many aspects at play simultaneously and that some of them are more important than others, revealing deeper insights on the role of political risk. For example, an additional set of indicators employed in the literature originate from the PRS group's ICRG, comprising a total of 12 political risk indices; government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and the quality of bureaucracy. For a sample of 83 developing countries from 1984 to 2003, Busse and Hefeker (2007) find that government stability, internal and external conflicts, law and order, ethnic tensions, bureaucratic quality and, to a lesser degree, corruption and democratic accountability are important determinants of FDI inflows. They conclude that low-risk premium, in terms of protection of property rights and contracts, and lower information asymmetry about market conditions and other related mechanisms, are more attractive to foreign investors. On the other hand, Daude and Stein (2007) examine the role of institutional quality on FDI by employing three sets of institutional indicators; (i) the 6 indicators by Kaufmann et al. (1999), (ii) 5 ICRG's indicators (e.g., risk of expropriation, government stability, democratic accountability, law and order, and corruption), and (iii) a survey determining the quality of courts, quality of central government, corruption and predictions about changes in law and regulations. They find predictable regulatory and legal frameworks to be the most important factors at play. The authors conclude that improving the institutional framework would not only increase foreign investment but also generate 'positive spillovers' on economic activities and domestic investment.

[6] See also Méon and Sekkat (2012) who conclude that political risk lowers FDI inflows.

Some studies also focus on exploring the effects across different regions and reveal the significance of institutional effects more particularly in developing and emerging market economies. For example, Azzimonti (2018) investigates how the lack of FDI from rich to poor countries is due to the political environment of an economy in various country groups (OECD, East Asia, Latin America, Africa) and finds that higher investment risk is detrimental to FDI, more especially to emerging market economies. He explains that investors avoid countries where high expropriation technology is used. Similar findings are found by Benacek et al. (2014) who study the effects of political risk on FDI stocks in 35 European countries and confirm that the quality of institutions is most important in liberal emerging market economies, compared to advanced or less developed ones, due to the growth stage they are at and their ongoing evolution.[7] For 8 MENA countries, Mina (2012), who finds mixed results, explains that domestic institutions in developing and emerging market economies are key to align their performance to that of developed economies.[8] As such, collective institutional practises and reforms are not reliable since they do not consider the country specific information, which as a result does not benefit their capital flows.

As far as the African economies are concerned, only a limited amount of research has been carried out to examine the political risk-investment nexus. Among the very few studies on Africa are the ones by Asiedu (2006) and Cleeve et al. (2015). Asiedu (2006) questions the common perception that FDI in African countries is largely driven by natural resources and market size by addressing policy, institutional and political risk factors effects for a sample of 22 African economies. The author demonstrates that large local markets, natural resource endowments, good infrastructure, low inflation, an efficient legal system, as well as a good investment framework attract FDI effectively, while corruption and political instability, in the form of coups, riots and assassinations, induce adverse impacts. By contrast, Cleeve et al. (2015) find that political risk in the form of political participation and lack of democratic institutions has no significant impact on FDI inflows.[9] While both papers consider institutions to be an important aspect of Africa's capital flows, the inconsistency of results based on

[7] The authors utilise multiple political indicators, such as business freedom, trade freedom, monetary freedom, freedom from government, fiscal freedom, property rights, investment freedom, financial freedom, freedom from corruption, education index and government effectiveness.
[8] The author finds that strong investment profile and government stability improves FDI inflows, while less corruption is found to have an adverse impact on FDI.
[9] Cleeve et al. (2015) examine the role of human capital in FDI inflows by incorporating a political risk indicator as a control variable.

different institutional indicators highlights the importance of assessing multiple indicators before reaching a conclusion.

In addition to FDI flows, another strand of literature examines political risk effects with reference to other types of investment. Some authors assess and compare the impact of political risks on various components of capital flows and find that there is a variation of effects among the investment types. Daude and Fratzscher (2008) examine the impact of political risk on various components of capital flows (namely, FDI, foreign portfolio investment (FPI) and loans) and find that FPI flows are more sensitive to the degree of information disclosure in local credit markets, accounting standards, expropriation risk and repudiation costs, and to the level of corruption, whereas direct investments and foreign loans are highest in countries where the quality of institutions and capital markets are low, suggesting that witnessing high inflows may not necessarily be an indication of the strength or good performance for the host countries. Durnev et al. (2015) also examine the role of political instability, in the form of changes within the system of the party in power, on both FDI, majority-owned investment, and FPI, minority-owned investment. They find that instability increases FDI in cases where investors are more risk-averse and would continue to pursue their projects despite the risks involved.

Other authors, who have only focused on the role of political risk in hot money flows, have also found institutions and political risk to be an important determining factor. For example, Fratzscher (2012) analyses the determinants of global portfolio flows throughout the global financial crisis period by using the ICRG's indicators, along with other economic indicators. For a sample of 50 advanced and emerging economies, it is found that capital flow movements are influenced by the quality of institutions during the 2007-08 crisis, but more so before and after the crisis. The author shows that high institutional quality is in fact among the 'dominant drivers' of capital inflows after the crisis and that countries with better institutional environment are able to protect them against global external shocks and are less likely to experience capital flow reversals. Papaioannou (2009) also examines the effects of political risk on international bank flows for a sample of 51 host countries and finds that foreign banks are less likely to allocate capital in countries with a corrupted bureaucracy, inefficient legal system and where ownership and control of the local banking system are restricted to the government. More recently, Eichler and Plaga (2017) examine how US investors' bond portfolio holdings are influenced by political factors by using a broad range of indicators; political constraints faced by the executive party, the overall political cycle and the

government's ideological preferences. For a sample of 60 countries, their findings reveal that US investors' bond holdings are (i) increased when political constraints are low, and (ii) decreased when major elections are close due to uncertainty involved. Government's ideological preference, by contrast, is found to have no significant impact.

Overall, the relevance of political risk and institutions through multiple dimensions, such as with various indicators, regions or capital flow types, and the lack of research in regard to African economies suggest that the latter require a more thorough investigation. [10] Further, the extant literature so far has focused on effects related to a specific type of cross-border flows, mainly FDI, while very little attention has been given to effects on other types of capital inflows, such as cross-border lending. Therefore, this paper aims to fill these gaps in the existing literature by analysing the impact of political risk on investment flows with reference to countries within the African region and using data on both FDI and cross-border lending flows. Moreover, the adopted econometric framework is a quantile regression technique, thereby allowing us to provide fresh evidence to the existing literature by discerning political risk effects at various quantiles of the flow distribution. Finally, various robustness checks are carried out for our empirical results.

2.3 Data Description

The empirical analysis of this chapter is focused on developing African economies. After accounting for all countries, variables and number of years for which data were available, the final sample was adjusted to a total of 28 countries with yearly panel observations covering the period of 1990 to 2014[11]. The employed data have been collected and gathered from various sources. Table A2-1 (see Appendix A2) reports a list of variables used in the study together with their definitions and sources.

[10] See also Lensik et al. (2000) and Le and Zak (2006), who examine the effects of political risk on capital flight and find mixed evidence.

[11] Due to data unavailability, the sample size was reduced significantly from a total of 52 countries to 28 countries, all in the African region. It is important to point out that data availability for many African countries is an ongoing issue due to lack of stable funding for national statistical systems among many reasons, resulting in poor data schemes. Countries included in our sample are Algeria, Botswana, Burkina Faso, Cameroon, Cote d'Ivoire, Egypt, Gabon, Gambia, Ghana, Guinea, Kenya, Madagascar, Malawi, Mali, Morocco, Mozambique, Namibia, Niger, Nigeria, Senegal, Sierra Leone, South Africa, Sudan, Tanzania, Togo, Tunisia, Uganda, and Zimbabwe.

2.3.1 Measures of Political Risk

The data for political risk used have been collected from the International Country Risk Guide (ICRG) provided by the PRS Group. The ICRG constructs a set of 12 indicators to measure political risk and institutional quality, which includes government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality (see Appendix B2 for the description of these indicators). Each index is allocated risk points and altogether they are based on a scale of 100 points, where higher values indicate better institutions and less political risk (see Table A2-2 in Appendix A2). The level of risk based on these risk points is classified into distinct bands, with bands of 80-100 being classified as very low risk, 70-79 being as low risk, 60-69 being as moderate risk, 50-59 being as high risk, and 0-49 being as very high risk. The political risk ratings in 2014 for every African country in the sample is shown Table A2-3 in Appendix A2. It can be seen that majority of them fall under the high-risk band. Additionally, the political risk condition for each country throughout the sample period is shown in Figure A2-1 (see Appendix A2).

2.3.2 Types of Capital Flows and Relevant Control Variables

The empirical analysis is carried out using two types of capital inflows: FDI and bank inflows as a percentage of GDP. Primarily, portfolio inflows were also considered, but they were dropped due to lack of sufficient data. FDI data series are taken from the UNCTAD database and are aggregate inflows presented on net bases; that is, the difference between credits and debits of investment transactions, where credits refer to decreases in assets or increases in liabilities and vice versa for debits.

As for cross-border bank inflows, we use data from the Bank for International Settlements (BIS) Locational Banking Statistics database. The latter comprises aggregate international financial assets and liabilities of banks located in "reporting areas" to banking and non-banking institutions in more than 150 countries, also known as "the vis-à-vis" or resident countries. The database reports quarterly data of stocks and flows made up of mostly loans and deposits but also include other transactions related to equities or direct investment. Flows are estimated by the BIS and reflect changes in the reported stocks adjusted by the exchange rate changes. The data collected for this study are inter-bank claims; that is, flows to only banking institutions in

the African countries and are averaged to an annual frequency to match the rest of the dataset used in the analysis.

Regarding the control variables, we select the most commonly used ones from the literature, such as GDP per capita growth rate as a measure of market size, trade openness (as a percentage of GDP) to capture the extent to which a country is engaged in international trade, inflation rate as a measure of the macroeconomic stability and gross fixed capital formation (as a percentage of GDP) as a measure of domestic investment. According to the literature, market size, openness to trade and domestic investment are expected to boost host countries' foreign investment while inflation is expected to induce negative effects. Finally, it is worth noting that in the robustness checks section we further extend this list of control variables by an additional wide range of factors drawn from the different strands of capital flows literature.

2.4 Methodology

This section of the chapter presents the econometric models employed to assess the effects of each component of political risk on cross-border capital inflows. The traditional fixed-effect regression is proposed as a benchmark model, after which a quantile regression approach is used to measure for further insights into such effects.

2.4.1 Conditional Mean Approach: The Traditional Panel Regression

The aim of this study is to analyse the asymmetric features of the dataset and identify the effects of political risk on capital flows using a median approach. However, for comparison purposes a fixed effects panel model is also estimated which takes the following form:

$$\boldsymbol{f_{it} = \alpha_i + \beta_1 PR_{it} + \beta_2 X_{it} + \varepsilon_{it}} \qquad \textbf{Eq 2.1}$$

where f_{it} is FDI inflows (as a percentage of GDP), denoted as FDIGDP, or bank inflows (as a percentage of GDP), denoted as BFGDP; $PR_{it}$is the political risk indicator (every indicator is substituted and estimated individually in order to avoid problems of multicollinearity); and $\varepsilon_{i,t}$ is the error term, with i referring to a given country and t denoting the time dimension. The vector of controls X_{it} contains control variables, which were found to be important in the literature, such as GDP per capita growth rate (denoted as GDPCAP), trade openness (denoted

as TRADE), inflation rate (denoted as INFL), and gross fixed capital formation (denoted as GCF).

The fixed effects model, Eq. (2.1), is particularly suitable as it allows capturing the effects of dynamics that vary between countries but not over time, such as geographical factors or natural endowments. This applies largely to African countries since they are developing economies with distinctive properties. This model will serve as a benchmark, as it will provide insights on how the quality of institutions and political risk impact on foreign capital flows using a mean approach. In general, it is expected that lower political risk, reflected by higher stability and institutional quality, would tend to attract more capital inflows to the economy. However, since mixed results are reported from the literature, we test the hypothesis of H_0: $\beta_1 = 0$ against H_1: $\beta_1 \neq 0$ for both FDI and bank inflows. That is, the signs of the associations between political risk and these inflows are an empirical matter (see also Busse and Hefeker, 2007; Méon and Sekkat, 2012; Mina, 2012; Azzimonti, 2018; among others).

2.4.2 Conditional Median Approach: A Panel Quantile Regression

The extant literature to date has focused on the mean of the dependent variable, different components of capital flows. In this study, we also employ the quantile regression technique to uncover the asymmetric features of the relationship between capital flows and political risk. This estimation technique, introduced by Koenker and Basset (1978), is known to be robust against the presence of outlines and when our data are characterised by non-normality. It also provides a more expansive view of the relationship between the dependent and the independent variables, as it estimates such a relationship at various quantiles of the dependent variable. In this study, the use of this method is especially justified when comparing the mean and median values of the dependent variables, which is shown for both types of capital flows in Table A2-4 in Appendix A2. For FDI flows, the mean and median values vary significantly with most of the countries in the sample, for example the largest variations are identified with Gambia, Ghana, Guinea, Madagascar, Niger and Sierra Leone. For bank flows, this occurs with Algeria, Cote d'Ivoire, Egypt and Nigeria. These differences signify that the distributions are asymmetric and the quantile regression framework can be particularly useful to provide a better picture of the associations being tested. The model, therefore, enables us to detect the relationship at different stages of the dependent variable as opposed to merely its average

estimated by the OLS, and in our case it will discern effects at low inflows-receiving countries to higher inflows-receiving countries. The conditional quantile model is specified as follows:

$$\boldsymbol{f_{it} = Z'_{it}\beta_\theta + \varepsilon_{\theta it}} \qquad \textbf{with} \qquad \boldsymbol{Quant_\theta(f_{it}|Z_{it}) = Z'_{it}\beta_\theta} \qquad \textbf{Eq 2.2}$$

where f_{it} is as defined earlier, Z_{it} is a vector of regressors (i.e., each political risk indicator along with the control variables), β is the vector of parameters to be estimated, and ε is a vector of residuals. $\text{Quant}_\theta(f_{it}|Z_{it})$ represents the θ^{th} conditional quantile of the dependent variable, f_{it}. The estimated parameter β_θ, for any value of $\theta \in (0,1)$ relating to a specific quantile, can be calculated by minimizing the following function:

$$\boldsymbol{min \sum^{n}_{i,t:f_{it} \geq Z'_{it}\beta_\theta} \theta |f_{it} - Z'_{it}\beta_\theta| + \sum^{n}_{i,t:f_{it} < Z'_{it}\beta_\theta} (1-\theta)|f_{it} - Z'_{it}\beta_\theta|} \qquad \textbf{Eq 2.1}$$

which can be minimised further to:

$$\boldsymbol{min \sum^{n}_{i=1} \rho_\theta (f_{it} - Z'_{it}\beta_\theta | \theta)} \qquad \textbf{Eq 2.2}$$

with ρ_θ being a weighting factor known as a check function defined as follows:

$$\boldsymbol{\rho_\theta(\varepsilon_{it}) = \begin{cases} \theta\varepsilon_{it}, & if\ \varepsilon_{it} \geq 0 \\ (\theta - 1)\varepsilon_{it}, & if\ \varepsilon_{it} < 0 \end{cases}} \qquad \textbf{Eq 2.5}$$

where $\varepsilon_{it} = f_{it} - Z'_{it}\beta_\theta$. The above definition implies that the quantile regression model minimises the sum of residuals where positive and negative residuals are based on a weight of θ and 1- θ respectively (Nusair and Olson, 2019).[12] Aiming to provide a detailed analysis, this study opts to capture the effects of the independent variables in seven quantiles of the dependent variables, notably with $\theta = (0.05, 0.10, 0.25, 0.50, 0.75, 0.90, 0.95)$ representing the 5th, 10th, 25th, 50th, 75th, 90th and 95th quantile. The quantiles are broadly categorised into lower, middle and higher quantiles. The estimated results of all models are presented and discussed in the following section.

[12] For more details on the quantile regression technique, see also Buchinsky (1998), among others.

2.5 Results and Discussions

2.5.1 Summary Statistics

Descriptive statistics are displayed in Table 2-1. The average of FDI inflows is positive and greater compared to that of bank ones. Looking at the political risk indicators, most of them range from the lowest to the highest allocated points, reflecting the degree of variability in the political experiences of countries in the sample. Government stability, internal and external conflict report the highest average level, indicating higher stability in these areas for the countries under observation. While political instability is a broad ongoing issue in the African economies, the average figures of these indicators briefly suggest the potential strengths and weaknesses of these economies, supporting the importance to examine each of their effects closely.

Further, most variables appear to be moderately skewed, positively and negatively, and have relatively large kurtosis. FDI, having a skewness of 4.814, indicates that it has a larger right tail, but bank inflows seem to have a larger left tail instead as they are somewhat negatively skewed. Also, with kurtosis of 37.845 and 20.122 for FDI and bank inflows, respectively, these types of investment seem to have fat-tailed distributions. Overall, the non-normal distribution feature of these flows data implies that analysing their entire distributions, as opposed to only their means, is particularly suitable, since it will discern thoroughly the effects of political risk on all levels of such flows witnessed by the African countries.

Table 2-2 presents the correlations among the independent variables. Overall, the correlations among these variables do not seem high, hence we have no potential mis-specification issues related to multicollinearity.

Table 2-1: Descriptive Statistics

Variable	Mean	Std Dev	Median	Min	Max	Skewness	Kurtosis	N
FDIGDP	2.680	4.181	1.726	-7.868	44.198	4.814	37.845	700
BFGDP	-0.002	0.322	0.002	-2.350	2.111	-0.539	20.122	700
GDPCAP	1.493	4.296	1.693	-18.875	30.342	-0.010	9.753	700
TRADE	63.220	21.542	60.023	11.087	131.485	0.400	2.699	700
INFL	10.528	17.779	6.230	-72.729	156.964	3.520	23.677	700
GCF	20.460	7.950	20.127	-2.424	55.363	0.479	4.032	700
GOVST	8.040	2.042	8.190	1.000	11.080	-0.508	2.602	700
SOCIO	4.223	1.535	4.020	0.500	8.000	-0.129	2.231	700
INVEST	6.918	2.004	7.000	0.000	11.500	-0.598	3.615	700
INCON	8.209	2.095	8.460	1.000	12.000	-0.787	3.745	700
EXCON	9.726	1.695	10.000	3.000	12.000	-1.099	4.565	700
CORR	2.388	0.965	2.080	0.000	5.000	0.223	3.065	700
MILIT	2.820	1.584	3.000	0.000	6.000	0.039	2.386	700
RELIG	4.032	1.479	4.500	0.000	6.000	-0.609	2.576	700
LAW	3.145	1.051	3.000	0.500	6.000	0.674	3.157	700
ETHNIC	3.406	1.208	3.500	0.000	6.000	-0.311	2.717	700
DEMOC	3.083	1.128	3.000	0.000	5.500	0.022	2.295	700
BUR	1.532	0.854	2.000	0.000	4.000	-0.069	2.769	700

Notes: FDIGDP and BFGDP are respectively the net FDI inflows as a percentage of GDP and the aggregate lending inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality.

Table 2-2: Correlation Matrix

	GDPCAP	TRADE	INFL	GCF	GOVST	SOCIO	INVEST	INCON	EXCON	CORR	MILIT	RELIG	LAW	ETHNIC	DEMOC	BUR
GDPCAP	1.000															
TRADE	0.030	1.000														
INFL	-0.060	-0.132	1.000													
GCF	0.217	0.303	-0.126	1.000												
GOVST	0.198	0.141	-0.336	0.196	1.000											
SOCIO	-0.043	0.170	-0.052	0.207	-0.059	1.000										
INVEST	0.188	0.165	-0.332	0.409	0.570	0.190	1.000									
INCON	0.167	0.444	-0.243	0.199	0.378	0.245	0.411	1.000								
EXCON	0.141	0.324	-0.144	0.215	0.308	0.105	0.333	0.607	1.000							
CORR	-0.066	-0.020	0.063	0.083	-0.132	0.526	0.016	0.151	0.100	1.000						
MILIT	0.067	0.279	-0.162	0.222	0.155	0.368	0.384	0.539	0.352	0.311	1.000					
RELIG	0.007	0.398	-0.099	0.081	0.127	0.312	0.198	0.511	0.279	0.303	0.430	1.000				
LAW	0.156	0.242	-0.151	0.233	0.353	0.369	0.302	0.520	0.274	0.227	0.437	0.340	1.000			
ETHNIC	0.130	0.245	-0.214	0.230	0.243	0.350	0.307	0.573	0.383	0.150	0.467	0.377	0.648	1.000		
DEMOC	0.130	0.148	-0.168	0.217	0.135	0.095	0.394	0.388	0.426	0.155	0.454	0.207	0.131	0.198	1.000	
BUR	-0.090	0.135	0.003	0.131	-0.102	0.451	0.111	0.185	0.184	0.290	0.431	0.151	0.182	0.225	0.204	1.000

Notes: GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality.

2.5.2 FDI Inflows

A summary of the fixed effects and the quantile regression results for FDI inflows against all political risk indicators is reported in Table 2-3, while the full estimation results related to the effect of each political risk indicator are reported in Tables C2-1 to C2-12 in Appendix C2. Looking at the benchmark regressions, all control variables significantly affect FDI inflows as expected, apart from GDP per capita growth rate, which is insignificant in all estimated regressions. In the quantile models, however, such a variable is significant in some quantiles and the signs of the remaining variables are as expected once again, except for inflation. The latter is found to be positive in some cases but no longer significant.

As for the effects of political risk indicators, overall, our results suggest that political risk and institutional quality play a crucial role in determining FDI inflows. Moreover, we find that some indicators are more important than others according to the level of FDI countries often receive. For clearer interpretations and comparison with the fixed effects regressions, our discussion of results is presented by grouping the risk effects into those that occur throughout (i) all or most quantiles, (ii) lower to mid quantiles only, and (iii) higher quantiles only. Figure 2.2 illustrates the estimated coefficients of each political risk indicator at various quantiles of the FDI inflows' distribution.

Following the above groups, firstly, the indicators which are found to be significant in both the fixed effects regressions and in all or majority of quantiles are government stability, socioeconomic conditions and internal conflicts. In the case of government stability, the fixed effects estimation suggests that FDI inflows increase by approximately 28%, when government stability increases by unity, indicating that higher stability attracts higher levels of investment. This positive relationship is also confirmed by the conditional quantile regression as the coefficients are highly significant across all quantiles at the 1% level. Moreover, the coefficient appears to climb up to 49% at the higher quantiles, indicating that the impact of government stability on investment is stronger for countries experiencing higher levels of FDI. This effect sounds plausible as investors would tend to be more cautious with a higher amount of capital being invested in an economy. They would, therefore, especially prefer to locate to where the government is strong and reliable to protect themselves from the effects of any type of

instability, such as changes in property rights, discontinuation of investment projects and so on, all leading to a risk of high losses.

In terms of socioeconomic conditions, the results from Table 2-3 also demonstrate strong effects on FDI inflows in both models, although with negative coefficients. As countries become more politically stable through improved socioeconomic conditions, the level of FDI reduces by approximately 30%, significant at the 10% level (see fixed effects results). While this indicator may have positive effects on the political system itself because of diminishing constraints, it also leads to new developments and higher expectations from consumers as the working environment improves overall. Given that this component is partly determined by the level of consumer confidence, the negative link with investment may be explained by investors' preference to invest only when they are optimistic about meeting consumer demands, especially since Africa is a growing population of young and educated people who are slowly becoming more aware and conscious of their consumption. Consequently, many FDI projects, which would have initially been undertaken, may have been disregarded or given up on after these factors are taken into consideration. The quantile regression results indicate that the most negative effects have been observed towards the higher quantiles, reflecting the higher risk associated with higher levels of investment.

Lastly, regarding internal conflict, our fixed effects estimation shows that internal conflict exhibits a significantly positive effect on FDI inflows, implying that lower-risk countries, that is, those not actively involved in political violence, attract higher investment by 18.5%. This positive association is also reflected in the quantile regressions, although the degree of the impact and the statistical significance fluctuates throughout the distribution. The impact appears to be the strongest in the 75^{th} and 90^{th} quantiles, both significant at the 1% level but is found insignificant at the 10^{th} and 95^{th} quantiles. These findings suggest that not all African countries are impacted by internal conflicts, especially given that the rating of this political risk indicator is based on civil wars, coup threats, terrorism and civil disorder. The affected countries or those that are actively involved in these conflicts in our sample are Cameroon, Kenya, Tanzania, which are most likely to be found in the middle quantiles. The results are also valid for cases like Nigeria, which is both affected by political violence and is also among the top FDI receiver in the continent. Its level of investment is unlikely to be affected due to the potential of its abundant natural resources, explaining the significant results in the higher quantiles.

Table 2-3: Summary of regression results from political risk indicators effects on FD inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
GOVST	0.282***	0.126***	0.090***	0.134***	0.265***	0.394***	0.429***	0.490***
	(0.087)	(0.048)	(0.026)	(0.027)	(0.045)	(0.069)	(0.104)	(0.158)
SOCIO	-0.303*	-0.133**	-0.119***	-0.095***	-0.239***	-0.464***	-0.834***	-0.964***
	(0.177)	(0.058)	(0.035)	(0.034)	(0.048)	(0.079)	(0.145)	(0.275)
INVEST	0.207**	0.115**	0.059**	0.086***	0.122***	0.090	-0.092	-0.192
	(0.094)	(0.056)	(0.026)	(0.028)	(0.046)	(0.100)	(0.238)	(0.238)
INCON	0.185*	0.077**	0.042	0.036*	0.086**	0.207***	0.379***	0.297
	(0.102)	(0.027)	(0.026)	(0.025)	(0.041)	(0.086)	(0.114)	(0.167)
EXCON	0.258**	0.051	0.038	0.025	0.091*	0.266***	0.476***	0.330
	(0.123)	(0.028)	(0.025)	(0.026)	(0.052)	(0.086)	(0.134)	(0.263)
CORR	-0.453*	0.070	-0.067	-0.079*	-0.250***	-0.469***	-0.704**	-1.213***
	(0.240)	(0.072)	(0.054)	(0.047)	(0.057)	(0.104)	(0.320)	(0.487)
MILIT	0.186	0.011	-0.054*	-0.044	-0.179***	-0.278***	-0.811***	-1.350***
	(0.301)	(0.053)	(0.031)	(0.035)	(0.074)	(0.095)	(0.182)	(0.334)
RELIG	0.19	-0.045	-0.035	-0.004	0.005	0.088	0.333	0.212
	(0.227)	(0.053)	(0.031)	(0.035)	(0.060)	(0.110)	(0.237)	(0.304)
LAW	0.593*	0.095	0.148**	0.227***	0.285***	0.291*	0.048	-0.045
	(0.307)	(0.095)	(0.060)	(0.045)	(0.068)	(0.141)	(0.295)	(0.462)
ETHNIC	0.652**	-0.028	-0.016	0.110**	0.124*	0.099	0.382	0.441
	(0.251)	(0.060)	(0.051)	(0.041)	(0.077)	(0.127)	(0.257)	(0.302)
DEMOC	0.221	0.064	0.007	-0.019	0.032	0.192	0.712**	0.190
	(0.242)	(0.038)	(0.037)	(0.036)	(0.082)	(0.152)	(0.369)	(0.336)
BUR	0.0365	-0.005	-0.081	-0.114**	-0.307***	-0.490***	-1.241***	-1.471***
	(0.391)	(0.118)	(0.063)	(0.048)	(0.082)	(0.140)	(0.263)	(0.389)

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

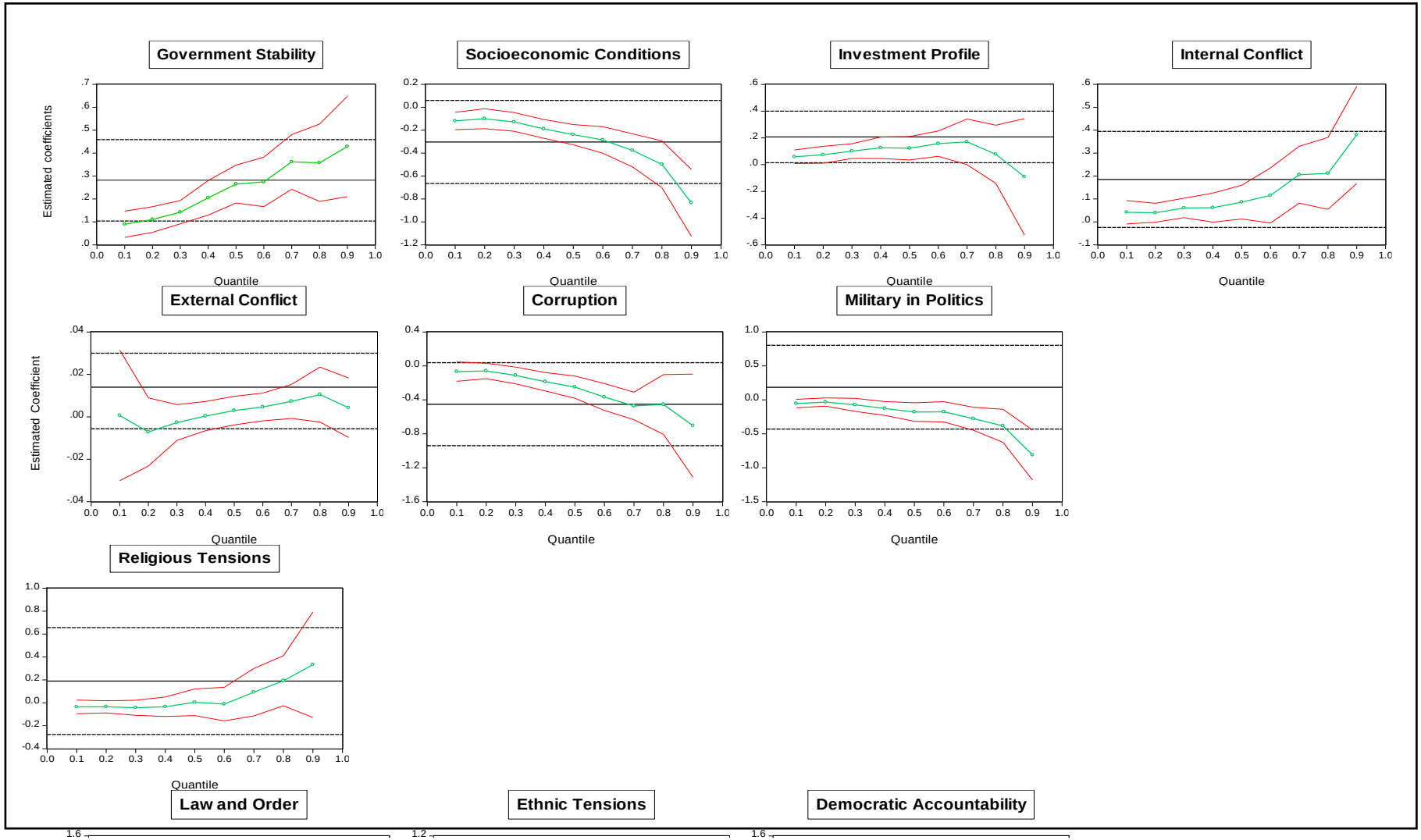

Figure 2-1: OLS and quantile regressions for political risk indicators and FDI inflows

Notes: The green solid line denotes the quantile regression estimates for the quantiles ranging from 0.10 to 0.95; the black solid line represents the fixed effects estimation coefficients; the two red solid lines and the two black dashed lines represent the 95% confidence intervals for the quantile regression and the fixed effects estimates, respectively

As for the second category, we find that the indicators affecting lower to mid quantiles mostly are investment profile, law and order and ethnic tensions. For example, the fixed effects estimation of investment profile shows the existence of a positive and significant effect, implying that African countries with an improving investment profile benefit from increasing FDI inflows by approximately 20%. In the conditional quantile regressions, the effect of this indicator is significant and consistent with the benchmark model up until the 50th quantile, after which it decreases to the point of having a negative but insignificant impact on FDI levels. Therefore, we conclude that the investment profile of an economy is an important factor to increase investment mostly for countries found in the lower to mid quantiles. Since this component of political risk is based on the degree of contract, profit and payment effectiveness, maintaining a desirable investment profile is a way for these countries to sell their image, increase global investor confidence by improving their credibility and, hence, draw more investors to the economy. For countries that are already experiencing high levels of FDI inflows, that is, those found in the higher quantiles, it is reasonable that having a good investment profile would not impact on their potential to attract more investors, as shown by the results since there are more valuable reasons that make them appealing to investors. For example, Nigeria is known to be among the highest receivers of FDI due to their abundant reserves of gas and oil, which makes it effortlessly a highly attractive destination for foreign investment.

In regard to the law and order indicator, the fixed effects estimation shows that low-risk countries, with a well-established legal system and with good regulations, significantly increase the FDI inflows by approximately 59%. This positive association between the two variables is also confirmed by the quantile regression, where this effect is significant from the 10th to the 75th quantiles. The finding indicates that law and order has a strong impact only for countries experiencing FDI levels located in these low to mid quantiles. Given that this indicator reflects the strength and reliability of the legal system, it is reasonable that higher quality of law and order would attract more investors since it will ensure security, consistency, efficiency and flexibility when required. A positive effect is also detected for ethnic tensions, specifically, lower risk of ethnic tensions increases a country's FDI level by approximately 65% (see fixed effects results). The quantile regression results further show that the impact of this indicator is consistent only in the 25th and 50th quantiles, thus, also in the lower to mid quantiles. This finding may be justified by the fact that there are only a few countries, such as Niger, Mali and Sudan, which continue to face issues related to ethnicity. Although many

African countries have undergone through periods of ongoing ethnic and racial wars and pressures, most of them have managed to come to a peaceful resolution, explaining why the remaining countries in our sample are unaffected by this indicator.

In regard to the last group, Table 2-3 shows that indicators affecting the higher quantiles only are external conflicts, corruption, military in politics, bureaucracy quality and to a lesser degree, democratic accountability. External conflicts are found to be positively associated with FDI in both models, suggesting that countries exposed to lower risk of external conflict receive higher inflows. In the quantile models, however, we find this indicator significant only in the 50^{th}, 75^{th} and the 90^{th} quantiles. Given that external conflicts are based on the level of cross-border conflicts, such as external pressures, withholding of aid, trade restrictions, territorial disputes, sanctions and so on, it seems reasonable that countries found in these quantiles (i.e., which often receive a medium to high amount of FDI) would be the ones to be more affected as they are frequently involved with foreign transactions. While the remaining countries may be exposed to such conflicts and effects on their government, the level of investment is not necessarily impacted by, confirmed by the insignificant findings.

In regard to corruption control, the fixed effects estimation shows that this indicator is negatively associated with FDI inflows, suggesting that lower risk of corruption decreases such inflows by approximately 45%. The quantile regressions also report a similar finding, with significantly negative effects between the 25^{th} and the 95^{th} quantiles and with such effects being stronger at the higher quantiles. As documented in the literature, some form of corruption could be advantageous to countries faced with poor governance, lack of regulations and government control and so on, in which case, corruption appears to be a useful resort due to its potential to counteract the impacts of such institutional inefficiencies. The findings show that this is applicable to countries in the highest quantiles, where law and order is found to be insignificant. As detailed in data description (see Appendix B2), this index is based on actual or potential corruption in the form of preferential treatment or any type of bribery occurrences between firms and politics; therefore, the stronger effects at the higher quantiles could simply indicate the willingness of investors to continuously engage and invest in the same location once they are aware of its potential to facilitate transactions and boost profits, leading to increased FDI inflows to the economies.

As for military in politics, while a positive but insignificant effect is initially detected (see fixed effects results), the entire distribution, on the other hand, suggests otherwise as the results appear to fluctuate across quantiles. The 5th to 25th quantiles reflect both positive and negative insignificant effects, while from the 50th quantile and above, the effects are significantly negative and stronger towards the higher quantiles. This negative link with FDI inflows implies that low-risk countries, that is, where the degree of military participation in politics is lower, receive less foreign investment. This finding suggests that the military in politics is an advantage to the African economies in the sample. Many countries in Africa have undergone through periods of military rule, where law and order was set by the military forces rather than by an elected government. Military rule is usually considered to be a setback to economies in the long run because it is an indication of government inefficiency and a weaker degree of democratic accountability. However, since a military regime is backed by discipline and determination, it can also help to establish or even restore an economy's stability which would aid to diminish risks overall. Therefore, its involvement in politics would also appeal to investors. Moreover, these findings also help to explain the positive relationship between corruption and FDI found in this study. By being in power, the military forces would be in control of all regulations and policies to be implemented. This may encourage investors to maintain good personal networks for their own interest, increasing the risk of corruption. Therefore, lower participation of the military in politics would indicate lower risks of corruption, both reducing FDI levels, as shown by the results.

Similarly, for bureaucracy quality, the fixed effects results demonstrate a positive but insignificant effect on FDI inflows. The quantile regressions, however, reveal a negative effect across all quantiles, where such an effect is significant from the 25th to the 95th quantiles and is stronger at the higher quantiles. This finding implies that higher bureaucracy quality leads to lower FDI inflows and more so in countries often experiencing higher inflows. While higher bureaucracy quality reflects the government's strength, effectiveness and ability to adapt to political changes, it also demonstrates how powerful their policy-making system is. There are two reasons that could explain why that would discourage MNE managers to engage in these economies, and, therefore, justify this negative impact. First, apart from its advantages, a strong bureaucracy quality also represents the ability to manipulate policies and regulations to the government's best interest, which may not appeal to investors. Secondly, having a good quality bureaucracy does not only reflect its power but also its degree of transparency and integrity. Considering the fact that corruption in this study was found to be a factor that brings more FDI

to the economy, it is possible that investors are reluctant to engage in such economies knowing that there is no possibility of favouritism.

Lastly in this group, although to a lower degree, democratic accountability also reflects a similar pattern. This component of political risk is only significant at the 5% level in the 90th quantile, suggesting that only the low risk experiencing high FDI inflows countries tend to attract more FDI. The explanation of this outcome is similar to some of the previous components, whereby, considering the level of risk involved in, as investment increases, investors would want to ensure that they are being supported and protected, which is assured with government efficiency in a democratic regime. This finding also supports the statement that democratic institutions are more attractive to foreign investors, as found by several studies in the literature, which all underline the importance of democratic rights and political rights to MNEs in emerging economies (see, e.g., Jensen, 2003; Busse and Hefeker, 2007; Madani and Nobakht, 2014). Finally, the only indicator that appears to have no significant effects on FDI inflows is religious tensions (see both models results). Hence, although religious tensions can lead to disturbances in the society, or may add pressure to the government, they do not appear to be too severe or persistent to impact on investment decisions.

Overall, our findings for FDI are broadly consistent with those of Busse and Hekefer (2007), who conclude that investors are vulnerable to a country's governmental background and to fluctuations of political stability. They further highlight that conflicts generate adverse effects on investment through increased risk premium on investment projects generated by increased uncertainty. Moreover, our finding of the insignificant effect of law and order indicator in some economies is also in line with that of Mina (2012) who considers MENA countries instead, suggesting that for some economies there could be more fundamental factors attracting investors such that this indicator does not interfere with investment decisions. For example, this is the case with countries being naturally appealing to investors due to their valuable natural resources. Consequently, the author considers government stability and expropriation risk to be the main determinants instead, confirming that the latter vary according to countries and their characteristics. The author also explains that countries with lower corruption tend to depend less on external sources of finance because of improved domestic savings and investment from better economic policies, causing the fall in FDI as shown by the results. Our findings are also in line with those of studies by Daude and Stein (2007) and Azzimonti (2018);

for example, the latter highlights investment profile as being the most influential factor due to the level of expropriation risk involved with FDI.

2.5.3 Bank Inflows

Table 4 reports a summary of bank inflows regression results, whereas the full estimation details are presented in Tables C2-13 to C2-24 (see Appendix C2). The fixed effects results suggest that none of the political risk indicators seems to have an influence on bank inflows. The only exception is the internal conflict indicator which has a positive and significant effect. The quantile regression results, on the other hand, appear to be mixed (see Tables C2-13 to C2-24), where the effects of each political risk indicator are illustrated in Figure 2.3. Overall, government stability indicator has a significant impact in the 50th and 95th quantiles and, interestingly, with both a positive and negative effect, respectively. This implies that while government stability can help to generate more bank lending to the economy by 0.5% for those countries found in the 50th quantile, it also dampens them by 1.1% for countries receiving a higher amount of international credit. Because this indicator is based on government unity, legislative strength and popular support, it is possible that it could have both advantages and disadvantages to banks. For example, a stable governmental system would tend to appeal to investors since it demonstrates its ability to fulfil its engagement. When it comes to bank credit, however, especially to private banks, international bank lenders may find it discouraging to engage in economies with strong legislative, as despite being an indication of strong resilience, it also reflects their ability to influence laws based on their priorities, such as in a way that would be beneficial to them or to the population. This would lead to an increase in risks for investors, explaining the negative link between bank lending and government stability.

A negative impact is also detected between socioeconomic conditions and bank inflows, although significant only in the 25th and 50th quantiles. This finding suggests that an improvement in socioeconomic conditions reduces the level of cross-border bank lending flows for countries ranging in the mid quantiles. This outcome, although to a relatively lower degree, is like that obtained from FDI inflows related regressions. Better socioeconomic conditions represent less burden to the government and more social satisfaction. While it is beneficial for the government to have better socioeconomic conditions, bank lenders may not necessarily find this situation favourable as it also implies that the government may choose to prioritise public demands over them to maintain the level of satisfaction.

Table 2-4: Summary of regression results from political risk indicators effects on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
GOVST	0.009	0.018	0.013	0.006	0.005**	0.003	0.006	-0.011***
	(0.007)	(0.024)	(0.011)	(0.004)	(0.002)	(0.006)	(0.113)	(0.021)
SOCIO	-0.008	0.016	-0.006	-0.013***	-0.008*	0.0004	0.005	0.020
	(0.009)	(0.033)	(0.011)	(0.005)	(0.004)	(0.006)	(0.011)	(0.018)
INVEST	-0.005	0.053**	0.015	0.003	0.003	0.008	0.003	-0.038
	(0.009)	(0.024)	(0.012)	(0.006)	(0.002)	(0.007)	(0.012)	(0.030)
INCON	0.026**	0.057**	0.022	0.010	0.004	0.007	0.009	0.001
	(0.011)	(0.024)	(0.014)	(0.007)	(0.003)	(0.005)	(0.010)	(0.022)
EXCON	0.014	0.010	0.001	-0.004	0.003	0.008	0.004	0.001
	(0.009)	(0.033)	(0.013)	(0.006)	(0.003)	(0.006)	(0.012)	(0.019)
CORR	0.013	0.018	-0.002	-0.004	0.005	0.007	0.006	-0.007
	(0.015)	(0.033)	(0.020)	(0.010)	(0.004)	(0.012)	(0.018)	(0.044)
MILIT	-0.008	0.076**	-0.017	0.003	-0.001	-0.001	-0.010	-0.030
	(0.025)	(0.039)	(0.016)	(0.007)	(0.003)	(0.008)	(0.011)	(0.027)
RELIG	0.021	0.040	0.016	0.010	0.004	0.011	0.017	0.031
	(0.025)	(0.032)	(0.013)	(0.007)	(0.004)	(0.005)	(0.012)	(0.023)
LAW	0.029	0.044*	0.019**	0.010	0.005	0.011	0.014	0.011
	(0.020)	(0.025)	(0.010)	(0.007)	(0.006)	(0.011)	(0.020)	(0.023)
ETHNIC	0.003	-0.003	-0.002	-0.004	0.001	0.006	0.008	0.003
	(0.015)	(0.047)	(0.017)	(0.008)	(0.006)	(0.007)	(0.015)	(0.021)
DEMOC	0.011	0.089*	0.033	0.010	-0.002	0.004	-0.012	0.004
	(0.014)	(0.050)	(0.021)	(0.008)	(0.004)	(0.009)	(0.017)	(0.022)
BUR	0.040	0.036	-0.036	-0.027**	-0.014**	-0.0003	0.002	-0.021
	(0.034)	(0.082)	(0.035)	(0.012)	(0.007)	(0.015)	(0.021)	(0.040)

Notes: BFGDP is the dependent variable and is the aggregate lending inflows as a percentage of GDP. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

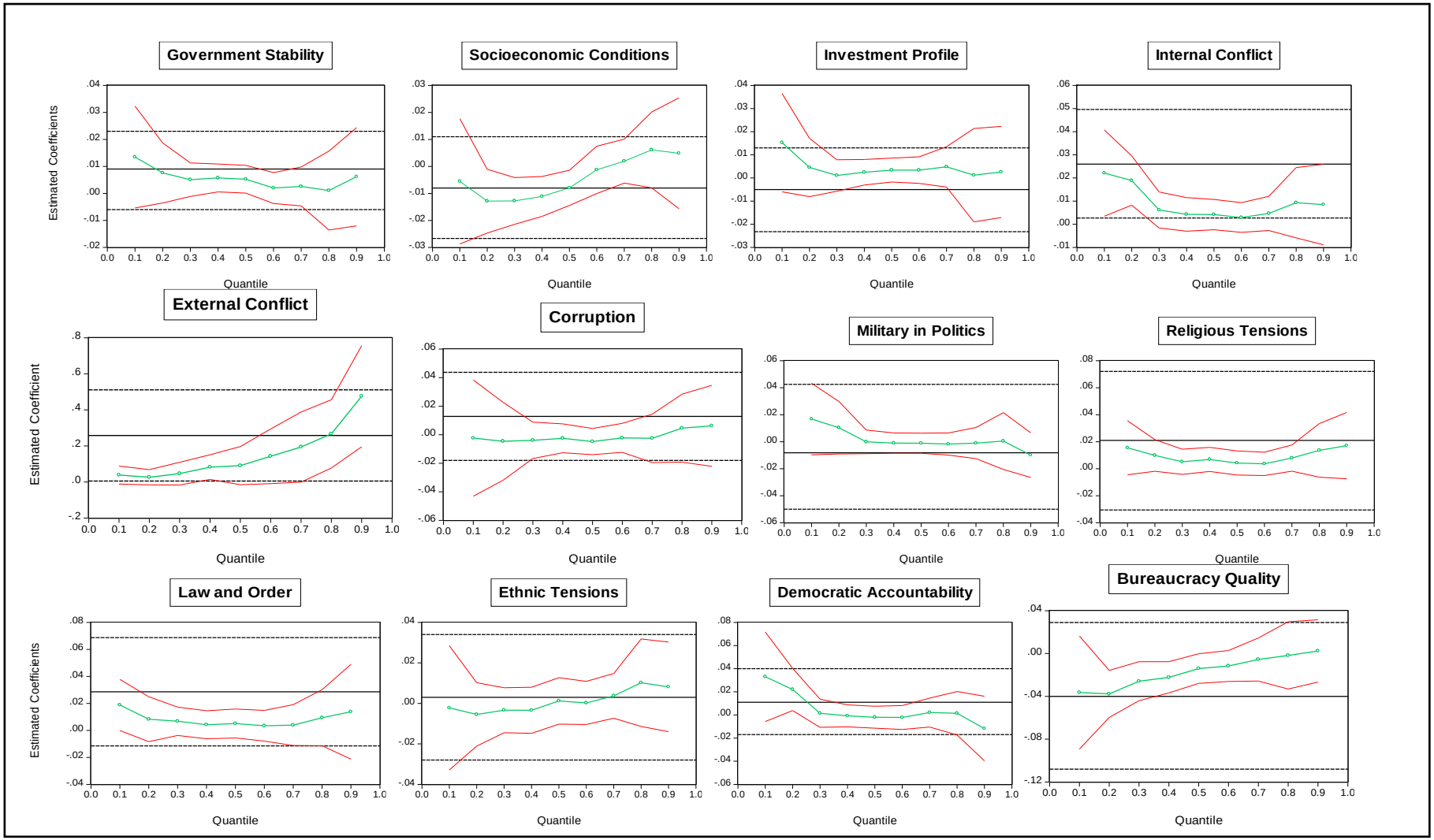

Figure 2-2: OLS and quantile regressions for political risk indicators and bank credit inflows.

Notes: The green solid line denotes the quantile regression estimates for the quantiles ranging from 0.10 to 0.95; the black solid line represents the fixed effects estimation coefficients; the two red solid lines and the two black dashed lines represent the 95% confidence intervals for the quantile regression and the fixed effects estimates, respectively

Investment profile, on the other hand, appears to be the weaker determinant out of the three components of government actions. The findings show a positive and significant effect of 5.3% only in the 5th quantile, suggesting that better investment profile increases bank inflows only in countries where they are the lowest. As for the conflict group (Tables C2-16 to C2-19), internal conflict, being positive and significant in the fixed effects model, is significant only in the 5th quantile. The remaining indicators, external conflict, religious tensions and ethnic tensions are all insignificant, implying that they have no impact on cross-border loans for the African economies in the sample.

Concerning institutional quality indicators (Tables C2-20 to C2-22), the quantile regressions show that law and order indicator has a positive impact on bank inflows, although to a limited degree as the impact is significant only in the 5th and 10th quantiles. This implies that good laws and regulations increase bank inflows by 4.4% and 1.9% respectively in the countries found in these quantiles. On the other hand, bureaucratic quality is found to be negatively linked with bank inflows. There is a significant effect only in the 25th and 50th quantiles, suggesting that an improvement in bureaucracy quality reduces the level of cross-border bank lending flows for countries ranging in the mid quantiles. Given that this component of political risk represents the quality and reliability of institutions when faced with political changes, it does not only indicate their resilience against challenges, but reflect the strength and power that they have over the policy-making procedure, and potentially their ability to control these decisions. While such reliability is a benefit for a country's economy and worldwide outlook in general, some investors may not find it attractive, explaining the negative link between the two variables. Looking at the last component of this group, corruption appears to have no significant impact on bank inflows.

Finally, the quantile regressions suggest that indicators related to democratic tendencies appear to affect bank inflows in the same way (Tables C2-23 and C2-24). They both have a significant positive coefficient of 7.6% and 8.9% in the 5th quantile, respectively, that is, only in countries where bank inflows are the lowest, signifying that such inflows increase as military in politics and bureaucratic quality improve.

All in all, our findings indicate the existence of heterogeneous effects of political risk indicators throughout the distributions of both types of capital flows. To statistically confirm these variations, Wald tests are carried out (Koenker and Basset, 1982). As shown from Tables C2-

25 and C2-26 (see Appendix C2), the null hypothesis of symmetry in parameters can be rejected in all estimated models. This implies that the slope parameters throughout the distributions vary, thereby supporting the use of the panel quantile method in our case.

2.5.4 FDI vs. Bank Inflows

Our findings reveal that political risk has a limited influence on bank inflows. The fixed effects estimates provide evidence that internal conflict is the only indicator that appears to have a significant impact on such inflows, while the quantile regressions show that most of the political risk effects, related to 8 out of the 12 indicators, are in countries receiving a low level of investment. This outcome can be explained from different perspectives. Firstly, there are many developing economies, especially poorer and growing ones such as those of the African continent, which simply do not receive enough bank inflows for them to be affected by the political economy. African reports explain that although bank loans represent an important source of external finance, the continent has not had enough exposure to the bank lenders for them to receive an adequate amount of inflows. There also seem to be some underlying phenomena of the continent being very exposed to political risk. This appears to be linked with lack of awareness, also known as an information gap, that discourages many foreign investors and lenders in such a way that they are reluctant to be involved with the continent. In addition, reports also show that international bank credit has been decreasing to a large extent over the recent years, and, therefore, appears to contribute very little to the total cross-border inflows that the continent receives up to this point (African Economic Outlook, 2016). These factors may help to explain the difference in the degree of impact on FDI compared to bank inflows, where FDI is strongly affected as it is a significant source of external finance to the continent.

Secondly, the fact that bank lending is less affected than FDI has also been plausibly justified by other scholars. Tong and Wei (2010) state that bank flows are reversible, that is, in the event of any crisis or instability, such as economic, political and so on, non-FDI types of capital flows are more likely to reverse and not renewed. Wei (2001) argues that the international financial system is built up in a way to protect foreign lenders, such that, in a period of a crisis, it is expected that they would receive a "bailout" that would assist to minimise the impacts on bank loans. This signifies that even in the case of a massive crisis, bank lenders would be assured with adequate funds such that the loans would not be affected. The author explains that there is no such assistance provided to FDI investors and that even insurance against political risk,

provided by the Multilateral Investment Guarantee Agency (MIGA), appears to be either too impractical or unaffordable. In addition, Goldstein and Razin (2006) state that FDI investors have an information advantage over non-FDI investors as they are usually well-informed about the prospects of an investment. Although this advantage reflects their ability to manage their projects more efficiently and, thus, indicates their resilience throughout periods of instability, the lack of protection, as opposed to bank lenders, makes them nonetheless more exposed to risks in an economy. It would explain why bank loans are less influenced and that the effects on FDI, on the other hand, are much stronger, as found in our empirical analysis.

2.5.5 Relevance of Quantile Regressions (FE vs Quantile Regressions)

The results for FDI clearly demonstrate the difference in the political risk and institutional quality effects when restricting the estimation to the mean of FDI inflows as opposed to their median. Firstly, we find that in majority of cases, such effects are stronger at the higher quantiles, which not only reveals that they strengthen with the level of FDI countries often receive, but also highlight the difference in coefficients in many of the quantiles when compared to the mean regression ones. This variation in coefficients questions the true degree of impact on average FDI if one were to rely on them. Secondly, the results also confirm that not all quantiles are affected and thirdly, when some quantiles are shown to be strongly impacted, the mean regressions reflect insignificant results in some cases. Such outcome has also been observed with bank flows despite the limited influence of changes in political risk. These effects confirm our doubts on the accuracy and reliability of mean regressions in panels consisting of countries with levels of FDI which vary considerably, in which case, the importance of the quantile model is highlighted as it appears to be more realistic, insightful and suitable. For example, in our study, the quantile model provides a more clear-cut and profound view on the relationship between FDI and institutional quality, showing which indicators are more relevant to the different countries, which may prove to be much more efficient when trying to attract more investors or limit the risk exposure to investors.

2.5.6 Robustness Checks

In this subsection, we conduct various robustness checks for our results. First, we estimate the earlier models with lagged instead of contemporaneous effects. Second, we expand our list of control variables by including various additional variables drawn from the different strands of

capital flows literature. Third, we further analyse political risk effects on capital flows conditional on certain country characteristics. And finally, we check for any possible reverse effects. The following subsections provide a detailed summary of these robustness tests.

2.5.6.1 Lagged Effects

To account for the possible endogeneity of political risk, if any, the fixed effects and the quantile regressions for both FDI and bank inflows are estimated using lagged effects of political risk indicators and the control variables instead. The full estimated results are shown in Appendix E2 (Tables E2-1 to Tables E2-24).[13] A summary of the political risk indicators effects on FDI and bank inflows is presented in Tables 2-5 and 2-6, respectively.

The fixed effects estimation of FDI inflows shows that the results remain qualitatively unchanged in terms of the sign and the statistical significance of the parameters. Regarding that of bank inflows, the results also remain unchanged for most political risk indicators; however, socioeconomic conditions, external conflict, corruption and democratic accountability become statistically significant. Overall, when lagged effects are considered, conflict indicators (i.e., internal conflict, external conflict, religious tensions and ethnic tensions) seem to be at play for bank inflows, while the rest of the indicators remain insignificant or exhibit statistical significance at the 10% level as is the case with socioeconomic conditions and democratic accountability indicators. The broader significant effects of the lagged conflict indicators on bank inflows, as opposed to the non-significant ones in the initial contemporaneous regressions, can be due to the nature of such indicators. Such indicators are based on some form of social unrest, and the consequences of the latter can usually have a more lasting influence on the economy since they cannot easily be resolved, explaining why such a delayed effect occurs.

[13] The observations in the estimations are reduced from 700 to 672 due to the lagged variables across the whole panel, i.e., 28 countries.

Table 2-5: Summary of regression results from lagged political risk indicators effects on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
GOVST	0.391***	0.149***	0.099***	0.163***	0.269***	0.403***	0.564***	0.736***
	(0.098)	(0.057)	(0.040)	(0.022)	(0.040)	(0.061)	(0.128)	(0.172)
SOCIO	-0.421**	-0.201***	-0.093**	-0.118**	-0.238***	-0.440***	-0.865***	-1.246***
	(0.180)	(0.073)	(0.046)	(0.050)	(0.047)	(0.101)	(0.244)	(0.298)
INVEST	0.263**	0.083	0.023	0.090***	0.154***	0.221**	0.010	-0.101
	(0.111)	(0.067)	(0.033)	(0.030)	(0.046)	(0.111)	(0.214)	(0.389)
INCON	0.295**	0.069**	0.032	0.056***	0.115***	0.218***	0.407***	0.682**
	(0.128)	(0.034)	(0.022)	(0.023)	(0.042)	(0.075)	(0.115)	(0.285)
EXCON	0.337***	0.049	0.052**	0.064**	0.131**	0.261***	0.557***	0.877***
	(0.128)	(0.033)	(0.025)	(0.029)	(0.064)	(0.093)	(0.119)	(0.277)
CORR	-0.583***	0.052	-0.014	-0.065	-0.287***	-0.439***	-0.335	-0.560
	(0.223)	(0.081)	(0.065)	(0.056)	(0.075)	(0.131)	(0.366)	(0.552)
MILIT	0.320	0.014	-0.043	-0.035	-0.141**	-0.229***	-0.728***	-1.378***
	(0.368)	(0.056)	(0.038)	(0.043)	(0.068)	(0.093)	(0.226)	(0.397)
RELIG	0.189	-0.093**	-0.062***	0.002	0.032	0.190	0.401**	0.416
	(0.224)	(0.042)	(0.024)	(0.033)	(0.041)	(0.131)	(0.195)	(0.425)
LAW	0.541*	0.238***	0.150***	0.213***	0.332***	0.332***	0.030	0.303
	(0.299)	(0.094)	(0.057)	(0.051)	(0.090)	(0.120)	(0.299)	(0.526)
ETHNIC	0.749***	0.090	0.054	0.107**	0.196**	0.190	0.396	0.412
	(0.255)	(0.066)	(0.039)	(0.047)	(0.092)	(0.126)	(0.280)	(0.397)
DEMOC	0.378	0.089	0.013	0.039	0.069	0.355**	0.711**	0.743
	(0.270)	(0.057)	(0.051)	(0.041)	(0.082)	(0.142)	(0.300)	(0.540)
BUR	-0.098	0.027	-0.085	-0.116*	-0.283***	-0.408***	-1.028***	-1.523***
	(0.416)	(0.154)	(0.064)	(0.068)	(0.075)	(0.150)	(0.269)	(0.537)

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table 2-6: Summary of regression results from lagged political risk indicators effects on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
GOVST	0.012	0.039	0.020**	0.005	0.007***	0.004	0.003	-0.011
	(0.009)	(0.027)	(0.009)	(0.005)	(0.002)	(0.005)	(0.011)	(0.018)
SOCIO	-0.021*	-0.022	-0.021*	-0.016***	-0.006	0.006	0.004	0.014
	(0.012)	(0.038)	(0.012)	(0.005)	(0.004)	(0.006)	(0.012)	(0.018)
INVEST	-0.003	0.053**	0.016	0.001	0.004**	0.001	-0.012	-0.019
	(0.011)	(0.028)	(0.016)	(0.005)	(0.002)	(0.007)	(0.016)	(0.025)
INCON	0.028***	0.057***	0.034***	0.010*	0.005*	0.009*	0.017	0.022
	(0.011)	(0.021)	(0.012)	(0.006)	(0.003)	(0.006)	(0.012)	(0.017)
EXCON	0.022**	0.015	0.001	-0.004	0.003	0.008	0.014	0.010
	(0.009)	(0.036)	(0.016)	(0.007)	(0.003)	(0.006)	(0.012)	(0.020)
CORR	0.026**	-0.001	-0.025	-0.014	-0.003	0.013	0.022	0.040
	(0.013)	(0.041)	(0.025)	(0.009)	(0.004)	(0.010)	(0.020)	(0.039)
MILIT	0.005	0.081**	0.015	0.002	0.001	-0.001	-0.006	-0.009
	(0.022)	(0.036)	(0.021)	(0.006)	(0.003)	(0.009)	(0.013)	(0.020)
RELIG	0.009	0.001	0.015	0.005	0.003	0.010	0.022	0.031
	(0.017)	(0.032)	(0.012)	(0.005)	(0.004)	(0.008)	(0.013)	(0.019)
LAW	0.009	0.008	0.010	0.001	0.008*	0.002	0.002	0.007
	(0.019)	(0.027)	(0.011)	(0.007)	(0.005)	(0.011)	(0.026)	(0.028)
ETHNIC	0.001	-0.032	-0.013	-0.004	0.002	0.001	0.007	0.019
	(0.016)	(0.042)	(0.017)	(0.008)	(0.006)	(0.009)	(0.016)	(0.017)
DEMOC	0.027*	0.076**	0.041**	0.014*	0.006	0.014*	0.010	0.016
	(0.015)	(0.035)	(0.020)	(0.009)	(0.004)	(0.008)	(0.019)	(0.022)
BUR	-0.004	0.059	-0.037	-0.026**	-0.010	0.007	0.001	0.031
	(0.030)	(0.072)	(0.026)	(0.011)	(0.007)	(0.016)	(0.020)	(0.033)

Notes: BFGDP is the dependent variable and is the aggregate lending inflows as a percentage of GDP. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Regarding the estimates of the quantile models, the FDI inflows results show that government stability, socioeconomic conditions, ethnic tensions, democratic accountability and bureaucracy quality effects remain qualitatively unchanged, whereas the statistical significance of the rest of the indicators changes in certain quantiles. Notable changes, for example, include that investment profile indicator becomes insignificant in the 5th and 10th quantiles, but, besides the 25th and 50th quantiles, it becomes significant in the 75th one. External conflict effects further become significant in the 10th, 25th, and 95th quantiles, while corruption becomes insignificant in three quantiles, i.e., 25th, 90th, and 95th. Finally, religious tensions effects become further significant in the 5th, 10th, and 90 quantiles.

As for the quantile estimates of bank inflows, our results on average remain qualitatively the same in terms of magnitude, sign and statistical significance. Notable changes include that law and order indicator shows statistical insignificance in the lowest two quantiles but becomes significant in the lowest third quantile instead. Further, the internal conflict shows statistical significance in the 25th and 50th quantiles, albeit at the 10% level.

2.5.6.2 Including Additional Control Variables

We also conduct an extensive analysis by including further a wide range of control variables drawn from the different strands of literature on capital flows, namely a set of US indicators, human capital, natural resources, infrastructure, population growth, aid flows, net foreign assets, sovereign risk and financial openness (see, e.g., Bhattacharyya and Hodler, 2010; Bhattacharyya and Hodler, 2014; Reinhardt et al., 2013; Cleeve et al., 2015; Alfaro et al., 2008), and a few important dummy variables representing exchange rate regime, quantitative easing, financial crisis, landlocked countries and legal origin. The full description of these variables is provided in Appendix D2 (see also Table D2-1) for their respective definitions and sources). Accordingly, the fixed effects and quantile regressions employ the lagged measures of existing and these additional variables. These findings for each political risk indicator are presented in Tables E2-25 to E2-36 for FDI and Tables E2-37 to E2-48 for bank flows (see Appendix E2).[14] The results are discussed in the following subsections.

[14] 56 observations are eliminated due to a combination of the initially lagged variables and the first difference of some of the additional variables across the whole panel. Additionally, there are 9 missing figures for Sierra Leone in terms of trade, and another 9 missing figures for Zimbabwe in net foreign assets. As a result, the total observations included in the estimations fall from 700 to 626.

2.5.6.2.1 FDI Inflows with Additional Controls

Political risk: Looking at the fixed effects results; overall, we find government stability, internal conflict, ethnic tensions and bureaucracy quality remain unchanged. The changes that we notice include that, with the inclusion of all control variables, military in politics and religious tensions are now significant, while the remaining indicators are no longer significant. On the other hand, the quantile models overall show that our main political risk results from the initial contemporaneous regressions still hold in different quantiles in most cases. For example, socioeconomic conditions, investment profile, external conflict, and corruption among others are all significant with the same signs for countries at the higher quantiles. This is also the case for the effect of law and order which is still positively significant only in the lower quantiles, i.e., 5th to 50th quantile. The only changes we observe in the quantile regressions are that military in politics and bureaucracy quality are no longer significant, whereas religious tensions are found to be significant in a few quantiles, i.e., the 5th, 25th, 50th, 75th and 95th.

Additional controls: Among the added control variables, aid flows, population growth, financial crisis and quantitative easing are found to be the most significant ones with the predicted signs across all fixed effects regressions; the remaining control variables turn out to be all insignificant. For example, consistent with the literature, we obtain a strongly negative coefficient for aid flows, implying that FDI decreases as aid flows increase (Asiedu et al., 2009; Selaya and Sunesen, 2012; Reinhardt et al., 2013). The financial crisis and quantitative easing dummies are both found to have a positive effect on FDI flows, which is plausible as, while the financial crisis was spreading from the US to the western world, there were influxes of capital flowing from that region to developing and emerging countries, and consistent with the findings of Lim and Mohapatra (2016).

Some additional effects are detected in the quantile models. For example, the level of schooling is found to be highly significant throughout the whole distribution, although the sign is negative. It is generally expected that higher education is an investment in human capital and thus helps to increase FDI as documented in the literature (Alfaro et al., 2008; Cleeve et al., 2015). However, we find the opposite effect. One reason for this outcome can be due to the fact that increases in educational attainment do not necessarily reflect increases in human capital. For example, it is quite common in Africa that people are not able to find jobs despite

having completed their higher education. This is often due to the issue of skills mismatch, where workers do not tend to meet the requirement of job opportunities. This could be a cost to the economy especially in the case of Africa since it implies that the government has to invest more to develop the educational sector or to increase educational funding.

Other variables, such as natural resources, financial openness, external debt, infrastructure, terms of trade and exchange rate regime all seem to have a sparse effect on FDI inflows as they are only significant in some quantiles. For example, the level of natural resources is found to have a positive effect in the 5th, 10th and 75th quantiles along with government stability or in the 25th, 50th and 75th along with law and order. This confirms the potential of natural resources to increase FDI levels (Asiedu, 2006; Cleeve et al., 2015). In regard to financial openness, while we find that it is positively associated with FDI in the highest quantiles mostly, we also notice a negative effect in the 5th quantile in most regressions (with conflict and democratic tendency indicators mainly). This implies that capital account openness has a positive effect in countries receiving higher FDI, while it has a weak but negative effect on countries receiving low FDI. This outcome seems plausible as, while being financially open attracts investors and allows access to multifaceted benefits such as technology, international network and so on, it could also reflect a lack of capital control, which tends to be an indication of weaker financial systems, especially in smaller economies. Consequently, investors may be discouraged to invest in such economies, explaining the negative effect on FDI. Nonetheless, seeing both a positive and negative effect in the quantile regressions further shows how the effect may vary based on a country's investment receiving capacity.

We also find a negative link between external debt and FDI inflows, suggesting that higher sovereign risk lowers FDI as expected. Also consistent with the literature we find exchange rate regime to have a positive effect on FDI, implying that countries with more flexible exchange rates appear to attract more FDI, significant across different quantiles in most regressions, notably in the 5th, 10th, 75th and 95th ones. In regard to infrastructure, although we find a positive effect in the 50th quantile with democratic accountability, it is found insignificant in the remaining regressions and quantiles. This is consistent with Asiedu (2002), who finds no effect of infrastructure on FDI, and argues that not all measures of infrastructure have the same importance in all countries, especially in the case of Africa. For example, the author states that telephones availability or electricity may not be effective measures in many cases since natural resource-based investment requires investors to locate in places where these

factors are either underdeveloped or undependable and thus would not be significant enough to impact on FDI. The author refers to the case of Nigeria being one of the top FDI receivers of Africa, despite having weak electricity development.

Regarding the landlocked and legal origin dummies, as fixed effects models originally control for country characteristics, we estimate pooled regressions to incorporate landlocked and legal origin country features to avoid potential multicollinearity. The results indicate that the landlocked dummy is significant in both the pooled and the quantile regressions along with internal conflict, corruption, military in politics, and law and order. The negative coefficient suggests that landlocked countries receive less FDI than coastal countries, consistent with Cleeve et al. (2015). Legal origin is found insignificant in all pooled models, while they appear to be positively significant only in the 75th quantile and negatively significant only in the 95th quantile along with most political risk indicators.

Finally, among the external factors, the US federal funds rate appears to have a negative effect only in the 90th quantile along with government stability, while it is insignificant across all regressions. The VIX volatility index is found to have a positive effect on FDI along with many political risk indicators in the lower and mid quantiles. The US policy uncertainty index appears to have a weak negative effect on FDI as it is only significant in one quantile in most regressions. Finally, the control variables with the least and no effect are the net foreign asset and commodity price changes, respectively.

2.5.6.2.2 Bank Inflows with Additional Controls

Political Risk: The results appear to remain unchanged in most cases (See Tables E2-13 to E2-24 in Appendix E2). Both the fixed effects and the quantile models confirm the limited influence of political risk on bank flows even with the inclusion of these additional control variables. The only changes we observe are related to the military in politics and law and order indicators which become completely insignificant, and religious tensions indicator which appears to be significant in the 75th quantile.

Additional controls: The fixed effects models show that net foreign assets and terms of trade are the only two significant determinants of bank flows across all regressions, both with positive coefficients, at the 5% level in most cases. Aid flows is found to have a positive and

significant effect only along with ethnic tensions. Looking at the quantile regressions, we find that aid flows, external debt and quantitative easing have the effects on bank flows since they are significant in multiple quantiles in most regressions. External debt and quantitative easing appear to have both a positive and negative effects, with negative effects in the lower quantiles and positive effects in the higher ones, once again highlighting the difference in effects based on the country's receiving capacity. We also find the landlocked dummy to be significant with a negative coefficient in almost all regressions, both pooled and across various quantiles. This confirms that even in the case of bank lending, landlocked countries would receive less investment than coastal countries. The remaining indicators all turn out to be insignificant. As for the external factors, we find the US policy rate and the commodity price changes to be significant in some quantiles with a positive coefficient. The US policy uncertainty index is found to be positive in the lower quantiles and negative in the higher ones. The VIX volatility index is insignificant in all regressions.

2.5.6.3 Further Analysis of Political Risk Effects

In this subsection, we further check the robustness of our earlier findings and also contribute to the existing literature by analysing how political risk effects differ across countries with certain characteristics. Therefore, we further include some interactive terms of the political risk indicators with the following country characteristics: (i) the level of aid flows to a country, where a dummy is created taking the value of 1 if aid flows to GDP are above the full sample median, 0 otherwise, (ii) the degree of financial openness of a country, where a dummy is created taking the value of 1 if the financial openness index is above the full sample median (more open countries =1), 0 otherwise, (iii) whether a country is a resource-rich or not, where a dummy is created taking the value of 1 if resource rents are above the full sample median and thus considered resource-rich, 0 otherwise, and (iv) whether a country is landlocked or not, and the type of legal origin adopted by a country (e.g., earlier defined dummies are used for these characteristics). The results for these regressions are presented in Tables E2-25 to E2-36 for FDI flows and Tables E2-37 to E2-48 for bank flows (see Appendix E2). A summary of these results is provided as follows.

2.5.6.3.1 FDI Inflows and Political Risk Interactive Terms

The fixed effects and the pooled regressions depict a limited influence of the interactive terms on FDI, with insignificant aid flows and resource-rich interactive dummies across all models.

The landlocked dummy appears to be the most significant when interacted with government stability, internal conflict, religious tensions and law and order. With a negative coefficient, we conclude that these political factors in landlocked countries attract less FDI than in countries along the coastline.

The quantile regression results also portray that financial openness, legal origin and landlocked interactive terms have significant effects. For example, financial openness is found to be significant with almost all political risk indicators, with strongest effects recorded when interacted with the military in politics, democratic accountability and bureaucracy quality. With a negative coefficient, these findings suggest that these factors in more financially open countries tend to lead to a decrease in FDI inflows.

Next, we observe positive and negative effects with the legal origin, which broadly suggest that the quality of institutions in the British and French legal origin countries both can benefit the economy with respect to the indicator being considered. For example, with a positive coefficient in the case of government stability and socioeconomic conditions, it appears that government actions in the British legal origin countries would seem to attract more FDI than the French counterpart. We also note a negative effect with internal conflict, corruption, military in politics, religious tensions and bureaucracy quality, highlighting that French legal origin countries would have stronger effects than those of the British legal system.

Additionally, the quantile regression results show that the effects of political risk factors in landlocked countries are again found to be weaker than coastal countries on FDI inflows. This effect is notably significant in the 25th quantile for socioeconomic conditions, and in the mid to higher quantiles with most indicators, i.e. government stability, investment profile, conflict indicators, law and order and democratic accountability. Lastly, both aid flows and resource-rich interactive dummies turn out to have positive coefficients in the lower quantiles, notably in the 5th, 10th, 25th and 50th in most cases and have negative coefficients in the highest quantiles, i.e., above the 75th quantiles. This finding suggests that the effect of political risk in resource-rich and high-aid flows countries is stronger especially in countries receiving low FDI. While the effect is the opposite for countries receiving higher FDI. We also note that in the same quantiles, natural resources appear to be a significant determinant of FDI. This effect confirms our initial argument that, when natural resources are attracting more investors, the political risk factors seem to be of less significance in that particular country.

2.5.6.3.2 Bank Inflows and Political Risk Interactive Terms

When the interactive terms are included in the regressions in the case of bank flows, we notice a very weak to no impact across all models. This outcome is expected and confirms the initial finding that bank flows to Africa is naturally limited for all the reasons previously discussed in the study.

2.5.6.4 Reverse Effects

We further conduct the robustness of our findings by running the reverse regressions. That is, we regress an aggregate political risk indicator of all its components on each type of flows (using their lagged terms). The results, reported in Tables E2-49 and E2-50, show that both types of flows have no significant effects on political risk. Therefore, the earlier empirical results are robust in regard to the reverse effects.

2.6 Conclusion

This study empirically examines the impacts of various indicators of political risk on both FDI inflows and cross-border bank inflows separately using fixed-effects and quantile regression framework. A total of twenty-eight African countries is included in the sample with yearly panel data for the period of 1990 to 2014. The findings of this analysis overall provide mixed evidence to the growing literature of the impacts of political risk, instability and the quality of institutions on foreign investment.

First, this study finds that some components of political risk are more important than others in attracting FDI. While most indicators support the hypothesis that FDI is motivated by higher political stability and institutional quality; government stability, investment profile, internal conflict, external conflict, law and order, and ethnic tensions; there is evidence of four indicators which proves the opposite; socioeconomic conditions, corruption, military in politics and bureaucratic quality. There is enough evidence to conclude that some investors would deliberately choose to invest in politically risky countries. While all countries aim to regulate their political economy and reduce risks, these findings suggest that it may not appeal to all investors and, therefore, would not necessarily imply better FDI performance. It shows that political instability to some extent is advantageous to an economy. Thus, we cannot conclude that political instability in a broader scale is detrimental to FDI inflows to an economy.

Additionally, among all, government stability, socioeconomic conditions, internal conflict and corruption are found to be crucial determinants of FDI as they do not only have a relatively higher magnitude but are also significant in all or most quantiles, suggesting that all or most countries in the sample are affected by them.

Second, it is found that political risk is a much more crucial determinant to FDI inflows as opposed to bank flows in the continent. As seen from the results, the evidence that bank flows are affected by political risk is weak. This is plausible because bank loans are reversible in the event of a crisis or instability, or simply since the level of bank inflows to the small and growing economies are too low to be significantly impacted by the political environment in the region. Nonetheless, a more detailed analysis indicates that conflict seems to be the most significant political determinant of these inflows, suggesting that bank lenders particularly refrain from countries involved with violence. This is most likely to be the case as a form of protection, both socially and financially, given that bank flows are a less stable form of investment.

Third, the estimated results prove that the effects of political risk on both FDI and bank credit are heterogeneous across countries. The quantile regression results illustrate that the coefficients magnitudes and statistical significance vary considerably throughout the distribution of each indicator, supporting the use of a quantile regression approach in this case. Whether the effects are positive or negative, in most cases they appear to be stronger in countries where FDI inflows are high, suggesting the existence of a non-linear association between foreign investment and political risk.

2.7 Policy Implications

The overall results imply that foreign investors are vulnerable to an economy's governmental background and to fluctuations in political stability. Investment climate and investors' confidence appear to be especially vital to the generation of FDI in the African region. Thus, improving the investment climate and business facilitation should be the top priority of the respective governments, which is how this study can prove to be useful.

Several policy implications can be drawn from our study. First, knowledge of how the quality of institutions attracts investors to the continent may help policymakers to create the right business environment based on best practices with the aim to attract more MNEs. Beyond

reaching a national consensus on political reforms and restoring political stability in the region, African policymakers can also seek to introduce structural reforms that will help boost economic growth and improve their country's investment attractiveness. These include, but are not limited to, economic diversification, private sector and entrepreneurship development, greater openness and competition in key economic sectors and well-functioning labour markets.

Second, our study also provides evidence supporting the idea that policymakers should seek to establish predictable, non-discriminatory and transparent regulatory and legal frameworks. This can also include the establishment of a 'level playing field' among new entrants and simpler business-related procedures, via administrative simplification, to enhance the business climate and restore investor confidence.

Third, effective regional economic integration schemes, covering not only trade and investment policies but also regulatory, industrial and infrastructure development policies can be developed and implemented accordingly. This would help foreign investors to access a greater regional market in Africa, which could in turn boost FDI inflows to the region. Moreover, effective trade policies for more and 'better-quality FDI' can be pursued, which can facilitate countries integration into global supply chains, boost productivity and improve returns on investment.

Fourth, as for the implications related to the advantage of low institutional quality, such as, in the case of poor socioeconomic conditions and higher corruption inducing higher FDI, policymakers should seek to improve the investment environment in the best possible way and build strong enough policies so that these factors appear weak and investors can focus on the bigger picture, that is, on each country's strongest qualities, where changes in these specific indicators are less likely to affect the overall flow of FDI.

While these suggestions aim to drive economic reforms, improve the doing-business climate and bring more certainty and knowledge to investors, it would result in the economies attracting the most effective FDI or other types of foreign investment, which would help spur economic growth, modernise its national and regional infrastructure and encourage improvement of quality of life through increased investment in educational, health and social infrastructure and facilities.

Appendix A2. Data Description

Table A2- 1: Variable Definition and their Data Sources

Variables	Definitions	Unit	Data Source
FDIGDP	Net inflows in the reporting economy from foreign investors measured as the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments	Percent of GDP	UNCTAD
BFGDP	Aggregate lending flows to banks in the host country, where flows are estimated changes in the reported stocks and include interbank deposits, loans, holdings of securities and other claims	Percent of GDP	IBL, BIS
GDPCAP	Gross Domestic Product (GDP) per capita growth rate is commonly used as a proxy for market size and is defined as a country's total economic activity measured by the amount given to goods and services produced in an economy	Growth rate	WDI, World Bank
TRADE	Trade openness measured as the sum of exports and imports of goods and services measured as a share of GDP	Percent of GDP	WDI, World Bank
INFL	Rate of inflation is measured by the change in the consumer price index	Percent change	WDI, World Bank and WEO, IMF
GCF	General government final consumption expenditure which represents government size and includes all government current expenditures on goods and services such as public goods and merit goods like defence, schools and hospitals	Percent of GDP	WDI, World Bank
A	Government Stability		ICRG
B	Socioeconomic Conditions		ICRG
C	Investment Profile		ICRG
D	Internal Conflict		ICRG
E	External Conflict		ICRG
F	Corruption		ICRG
G	Military in Politics		ICRG
H	Religious Tensions		ICRG
I	Law and Order		ICRG
J	Ethnic Tensions		ICRG
K	Democratic Accountability		ICRG
L	Bureaucracy Quality		ICRG

Table A2- 2: ICRG political risk indices and weights

	Component	Risk Point/Weight
A	Government Stability	12
B	Socioeconomic Conditions	12
C	Investment Profile	12
D	Internal Conflict	12
E	External Conflict	12
F	Corruption	6
G	Military in Politics	6
H	Religious Tensions	6
I	Law and Order	6
J	Ethnic Tensions	6
K	Democratic Accountability	6
L	Bureaucracy Quality	4
Total		100

Source: The PRS Group (2016)

Table A2- 3: Aggregate political risk rating in 2014

High Risk Bank (0-59)		Moderate Risk Band (60-69)		Low Risk Band (70-100)	
Countries	**Aggregate**	**Countries**	**Aggregate**	**Countries**	**Aggregate**
Sudan	35.79	South Africa	63.3	Botswana	72.37
Nigeria	42.79	Ghana	64	Namibia	75
Guinea	44.04	Mozambique	64.12		
Zimbabwe	47	Morocco	64.2		
Cote d'Ivoire	47.58				
Niger	47.76				
Uganda	48.29				
Egypt	49.54				
Togo	49.75				
Mali	51.46				
Malawi	52				
Burkina Faso	52.34				
Cameroon	53.84				
Madagascar	55.17				
Kenya	55.42				
Senegal	55.5				
Sierra Leone	56.25				
Algeria	57.13				
Gabon	57.21				
Tanzania	58.46				
Gambia	59				
Tunisia	59.99				

Table A2- 4: Mean and median values of FDI and bank flows by country

Country	FDI		Bank flows	
	Mean	Median	Mean	Median
Algeria	0.887	0.807	-0.137	-0.053
Botswana	2.462	2.033	0.012	0.005
Burkina Faso	1.034	0.578	0.022	0.007
Cameroon	1.084	0.859	-0.012	0.008
Cote d'Ivoire	1.771	1.709	-0.146	-0.044
Egypt	2.419	1.634	0.018	-0.060
Gabon	0.901	2.039	-0.016	-0.004
Gambia	4.807	2.820	-0.023	-0.040
Ghana	3.128	1.396	0.041	0.019
Guinea	3.050	1.352	0.017	0.018
Kenya	0.434	0.249	0.027	0.034
Madagascar	5.360	2.054	-0.032	-0.011
Malawi	1.384	1.258	-0.011	-0.013
Mali	2.543	2.063	-0.001	0.007
Morocco	2.315	2.101	0.068	0.023
Mozambique	8.470	4.820	0.088	0.003
Namibia	4.747	4.238	0.012	0.000
Niger	3.911	0.944	-0.023	-0.048
Nigeria	2.266	2.094	-0.027	0.032
Senegal	1.550	1.463	0.000	0.008
Sierra Leone	4.479	2.300	-0.102	0.000
South Africa	1.272	0.969	0.052	0.034
Sudan	2.416	2.585	-0.011	-0.015
Tanzania	2.569	2.141	0.011	0.006
Togo	2.727	2.016	0.074	0.102
Tunisia	3.064	2.506	0.044	0.051
Uganda	2.715	2.622	0.030	0.019
Zimbabwe	1.283	0.739	-0.044	-0.010

Figure A2-1. 1: The graphs of the total political risk ratings of each country in the sample over the period of 1990 to 2014.

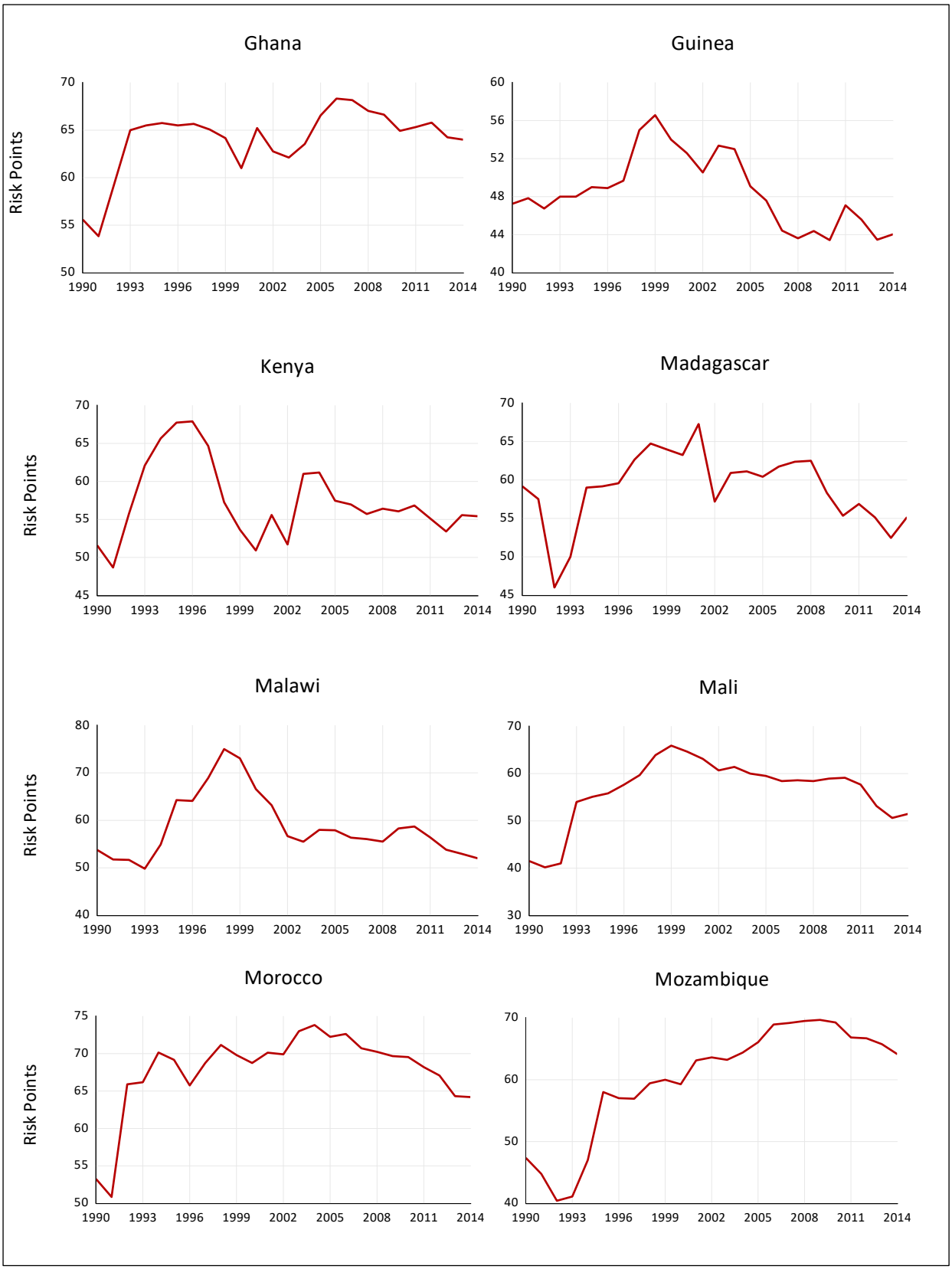

Figure A2-1. 2: (continued): The graphs of the total political risk ratings of each country in the sample over the period of 1990 to 2014.

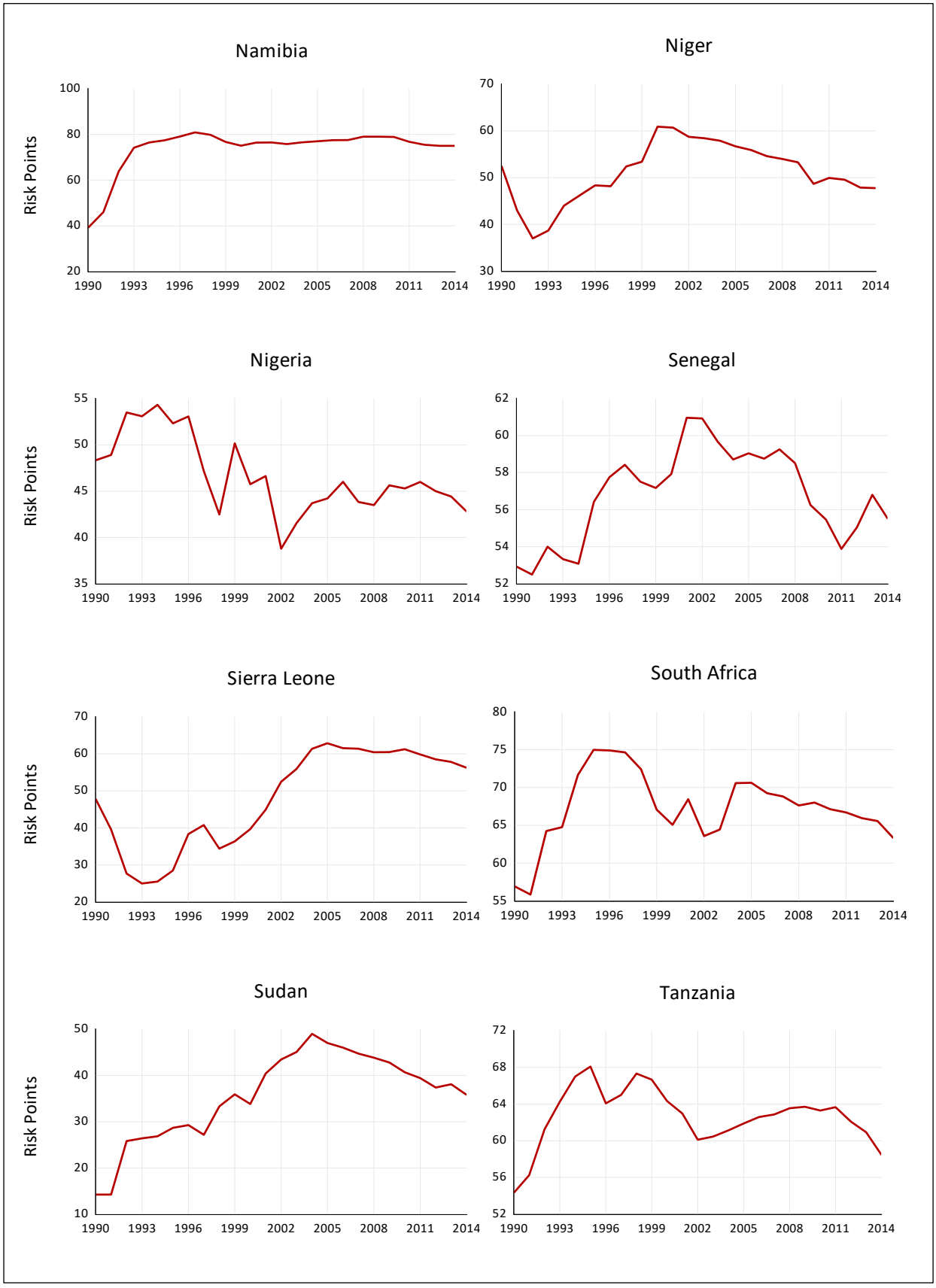

Figure A2-1. 3: (continued): The graphs of the total political risk ratings of each country in the sample over the period of 1990 to 2014.

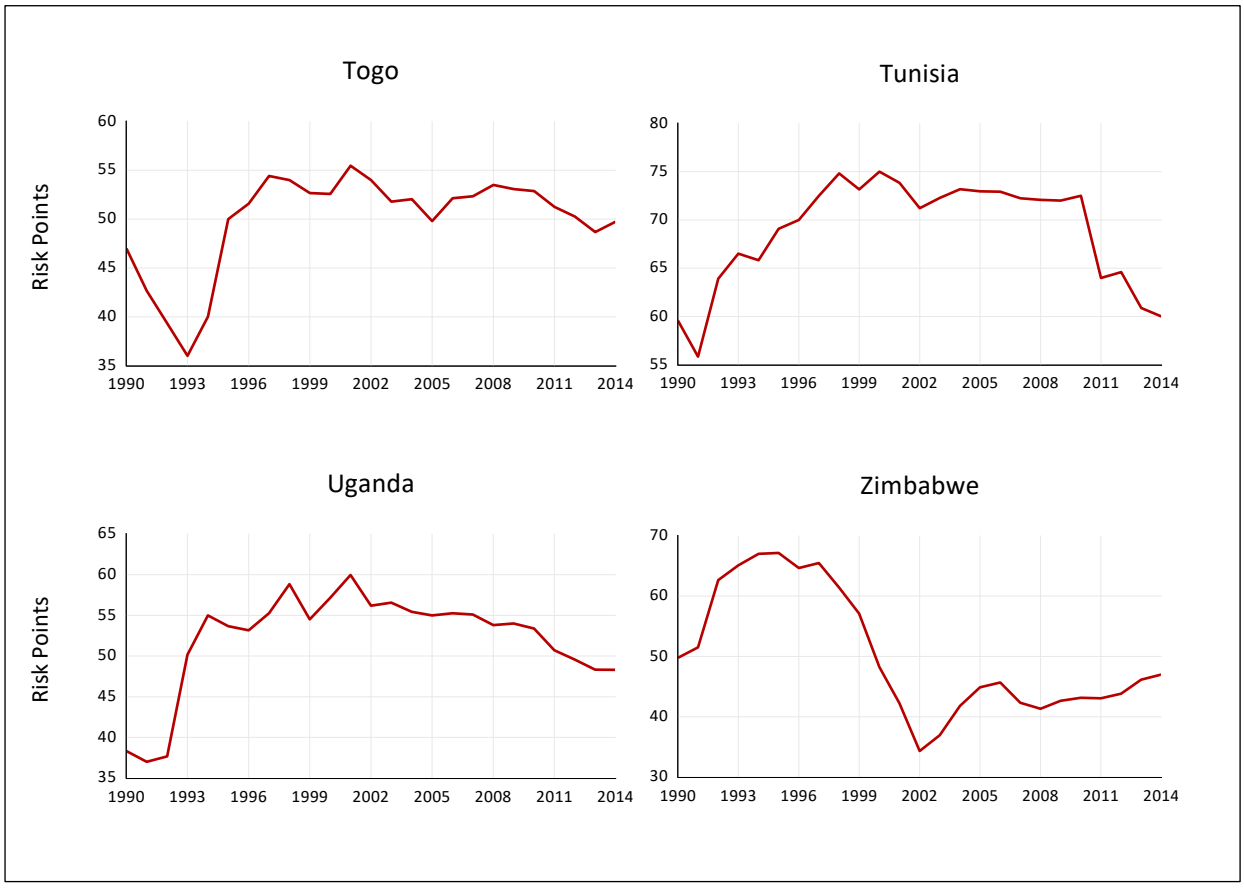

Figure A2-1. 4: (continued): The graphs of the total political risk ratings of each country in the sample over the period of 1990 to 2014.

Appendix B2. Description of Political Risk Indices

Each political risk index considered in our study is briefly described as follows:

a. **Government Stability:** This index is defined as a measurement of the government's ability to fulfil their engagements and the data used for this index is brought together from three different subcomponents; government unity, legislative strength and popular support.

b. **Socioeconomic Conditions:** Socioeconomic conditions represent the social and economic constraints faced in a working environment that could lead to governmental or social issues affecting the political system. It has been composed from the following three subcomponents; unemployment, consumer confidence and poverty.

c. **Investment Profile:** This index evaluates other aspects of investment risks that do not form part of political, economic or financial risk components. The subcomponents from which they have been made up are contract viability, profits repatriation and payment delays.

d. **Internal Conflict:** Internal conflict assesses the overall impacts of political violence on governance in a country. It is rated based on civil war, coup threat, terrorism and civil disorder. In this case, countries which have been attributed high points are those where the government is not involved in any sort of violence, whether it's from the opposition or towards the population, and are therefore considered as low risk.

e. **External Conflict:** External conflict is the overall risk faced by the government when dealing with foreign action. Risks include non-violent external pressure, such as diplomatic pressures, withholding of aid, trade restrictions, territorial disputes, sanctions and so on, and violent external pressure such as cross-border conflicts and wars. The ratings for this index constitute of war, cross-border conflict and foreign pressures.

f. **Corruption:** Corruption is defined as the act of fraudulence or misconduct by authorities, which, in this case, is measured within the political system. This index particularly focuses on actual or potential corruption in the form of excessive backing, partiality, job reservations, favours, secret party funding and shady connections between politics and business. Other examples that are also taken into considerations include financial corruption, which are demands for special payments and bribes associated with import and export licences, exchange controls, tax assessments, police protection or loans.

g. **Military in Politics:** The military represents the armed forces of a country and it becomes involved with politics through internal or external threats such as threats to increase defence budget at the expense of other budget allocations, or to take over political power of a country, that is the elected government itself. This index has been rated according to the level of military participation in politics, where higher degree of participation reflects a higher political risk.

h. **Religious Tensions:** Religious tensions during the political process arise when a group of religion seeks to overpower and govern society by replacing civil laws by religious laws

and potentially excluding other religions from the activity. Such situations lead to domination of governance, disturbance in freedom of religion and segregation of society.

i. **Law and Order: "**Law" is based on the strength and fairness of the legal system and "Order" represents the degree of compliance to law. Countries attributed higher points are those with low crime rate or efficient regulations and are classified as low risk.

j. **Ethnic Tensions:** This index measures the level of pressure caused by racial, nationality or language differences in a country. Countries are classified as low risk when tensions are low even in cases where differences are present.

k. **Democratic Accountability:** Democratic accountability measures the extent to which the government responds to its citizens. According to the data source, countries are categorised as low or high risk based on their type of governance, i.e., alternating democracy, dominated democracy, de facto one-party state, de jure one-party state, autarchy. Low risk countries are those under alternating democracies and high risk ones are those under autarchy.

l. **Bureaucracy Quality:** Bureaucracy refers to the policy-making group of non-elective government representatives. When the government changes, the extent to which policies or government services are reformed reveals the quality and reliability of institutions. Countries having a professional and resilient bureaucracy are known to have the ability to adapt to changes of governance without significant amendments. These tend to be attributed with higher points and are therefore classified as low risk

Appendix C2. Full Estimation Results

Table C2- 1: Regression results of government stability indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-8.408***	-1.411***	-1.237***	-1.780***	-2.310***	-3.034***	-5.859***	-8.439***
	(2.572)	(0.499)	(0.266)	(0.205)	(0.395)	(0.740)	(1.253)	(2.045)
GDPCAP	0.0112	0.039*	0.033**	0.039***	0.066***	0.085***	-0.033	-0.058
	(0.029)	(0.020)	(0.013)	(0.012)	(0.017)	(0.028)	(0.059)	(0.078)
TRADE	0.0658**	0.001	0.008***	0.021***	0.024***	0.027***	0.069***	0.111***
	(0.029)	(0.007)	(0.003)	(0.003)	(0.003)	(0.006)	(0.017)	(0.032)
INFL	-0.0129	0.003	0.002	0.002	0.002	0.007	0.009	0.023
	(0.012)	(0.003)	(0.003)	(0.002)	(0.003)	(0.006)	(0.010)	(0.019)
GCF	0.234***	0.011	0.015***	0.009	0.022**	0.067***	0.208***	0.292***
	(0.061)	(0.010)	(0.006)	(0.006)	(0.012)	(0.025)	(0.058)	(0.067)
GOVST	0.282***	0.126***	0.090***	0.134***	0.265***	0.394***	0.429***	0.490***
	(0.087)	(0.048)	(0.026)	(0.027)	(0.045)	(0.069)	(0.104)	(0.158)
R^2	0.288							
Pseudo R^2		0.040	0.051	0.090	0.098	0.116	0.157	0.211
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. GOVST represents government stability and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 2: Regression results of socioeconomic condition indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-4.648	0.167	-0.287	-0.560*	0.334	0.648	0.327	-0.642
	(3.087)	(0.369)	(0.259)	(0.281)	(0.295)	(0.520)	(1.166)	(2.136)
GDPCAP	0.019	0.036**	0.037***	0.055***	0.075***	0.133***	0.053	0.045
	(0.030)	(0.014)	(0.008)	(0.013)	(0.021)	(0.031)	(0.081)	(0.099)
TRADE	0.0624*	-0.004	0.011***	0.021***	0.026***	0.046***	0.095***	0.132***
	(0.031)	(0.006)	(0.003)	(0.003)	(0.004)	(0.007)	(0.017)	(0.026)
INFL	-0.021	-0.004	-0.002	-0.003	-0.009**	-0.008	-0.007	-0.009
	(0.013)	(0.003)	(0.002)	(0.003)	(0.003)	(0.006)	(0.007)	(0.018)
GCF	0.237***	0.029***	0.019***	0.023***	0.042***	0.090***	0.170***	0.241***
	(0.059)	(0.013)	(0.006)	(0.009)	(0.014)	(0.022)	(0.054)	(0.070)
SOCIO	-0.303*	-0.133**	-0.119***	-0.095***	-0.239***	-0.464***	-0.834***	-0.964***
	(0.177)	(0.058)	(0.035)	(0.034)	(0.048)	(0.079)	(0.145)	(0.275)
R^2	0.279							
Pseudo R^2		0.032	0.044	0.079	0.089	0.116	0.177	0.236
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. SOCIO represents socioeconomic conditions and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 3: Regression results of investment profile indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-7.468***	-0.987**	-0.917***	-1.143***	-0.881**	-1.017	-1.640	-2.747
	(2.369)	(0.487)	(0.227)	(0.250)	(0.417)	(0.564)	(1.494)	(1.664)
GDPCAP	0.0198	0.038*	0.035***	0.044***	0.086***	0.113***	0.094	0.043
	(0.029)	(0.021)	(0.013)	(0.010)	(0.016)	(0.032)	(0.082)	(0.095)
TRADE	0.0687**	-0.006	0.009**	0.022***	0.024***	0.031***	0.063***	0.108***
	(0.029)	(0.007)	(0.003)	(0.003)	(0.004)	(0.006)	(0.017)	(0.029)
INFL	-0.0178	0.003	-0.001	-0.002	-0.002	0.000	-0.011	-0.021
	(0.012)	(0.004)	(0.003)	(0.002)	(0.003)	(0.006)	(0.010)	(0.019)
GCF	0.221***	0.016	0.012*	-0.001	0.011	0.084**	0.210***	0.297***
	(0.064)	(0.014)	(0.006)	(0.008)	(0.014)	(0.035)	(0.071)	(0.065)
INVEST	0.207**	0.115**	0.059**	0.086***	0.122***	0.090	-0.092	-0.192
	(0.094)	(0.056)	(0.026)	(0.028)	(0.046)	(0.100)	(0.238)	(0.238)
R^2	0.277							
Pseudo R^2		0.031	0.040	0.078	0.079	0.092	0.137	0.197
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. INVEST represents investment profile and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 4: Regression results of internal conflict indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-7.447**	-0.550	-0.740***	-1.041***	-0.842**	-1.552**	-3.922***	-4.578***
	(2.777)	(0.366)	(0.293)	(0.238)	(0.384)	(0.603)	(1.355)	(1.935)
GDPCAP	0.0114	0.037***	0.038***	0.045***	0.082***	0.104***	0.045	-0.065
	(0.033)	(0.014)	(0.010)	(0.012)	(0.018)	(0.035)	(0.065)	(0.085)
TRADE	0.0654**	-0.008	0.007	0.019***	0.023***	0.025***	0.038**	0.080**
	(0.028)	(0.006)	(0.004)	(0.003)	(0.004)	(0.008)	(0.018)	(0.032)
INFL	-0.0228*	0.001	0.000	-0.003	-0.002	0.001	0.000	-0.010
	(0.012)	(0.003)	(0.003)	(0.003)	(0.003)	(0.005)	(0.008)	(0.019)
GCF	0.229***	0.014	0.011*	0.016**	0.018	0.079**	0.209***	0.292***
	(0.062)	(0.010)	(0.007)	(0.007)	(0.012)	(0.028)	(0.051)	(0.072)
INCON	0.185*	0.077**	0.042	0.036*	0.086**	0.207***	0.379***	0.297
	(0.102)	(0.027)	(0.026)	(0.025)	(0.041)	(0.086)	(0.114)	(0.167)
R^2	0.277							
Pseudo R^2		0.029	0.037	0.075	0.076	0.096	0.151	0.201
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. INCON represents internal conflict and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 5: Regression results of external conflict indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-8.485***	-0.393	-0.863***	-1.033***	-1.245**	-2.576***	-5.431***	-7.067***
	(2.707)	(0.477)	(0.281)	(0.311)	(0.543)	(0.702)	(1.448)	(2.046)
GDPCAP	0.0122	0.040**	0.043***	0.049***	0.094***	0.106***	0.078	-0.043
	(0.032)	(0.015)	(0.009)	(0.011)	(0.019)	(0.033)	(0.057)	(0.081)
TRADE	0.0656**	-0.006	0.008**	0.021***	0.026***	0.028***	0.042***	0.097***
	(0.029)	(0.008)	(0.004)	(0.003)	(0.004)	(0.008)	(0.016)	(0.033)
INFL	-0.0226*	-0.002	0.000	-0.003	-0.005	-0.002	0.005	0.011
	(0.012)	(0.003)	(0.004)	(0.002)	(0.003)	(0.006)	(0.010)	(0.016)
GCF	0.231***	0.007	0.010	0.012	0.023**	0.082***	0.203***	0.320***
	(0.062)	(0.010)	(0.006)	(0.007)	(0.014)	(0.025)	(0.058)	(0.081)
EXCON	0.258**	0.051	0.038	0.025	0.091*	0.266***	0.476***	0.330
	(0.123)	(0.028)	(0.025)	(0.026)	(0.052)	(0.086)	(0.134)	(0.263)
R^2	0.279							
Pseudo R^2		0.024	0.037	0.074	0.075	0.096	0.150	0.202
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. EXCON represents external conflict and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 6: Regression results of religious tensions indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-6.994**	0.055	-0.587**	-0.721**	-0.412	-0.857	-2.819**	-4.157**
	(2.874)	(0.519)	(0.270)	(0.280)	(0.319)	(0.753)	(1.323)	(2.215)
GDPCAP	0.0247	0.044***	0.047***	0.0538***	0.093***	0.125***	0.104	-0.010
	(0.032)	(0.019)	(0.012)	(0.014)	(0.020)	(0.034)	(0.068)	(0.094)
TRADE	0.0696**	-0.003	0.011***	0.021***	0.026***	0.030***	0.051***	0.105***
	(0.029)	(0.007)	(0.004)	(0.003)	(0.005)	(0.008)	(0.020)	(0.034)
INFL	-0.0254*	-0.003	0.000	-0.004	-0.006**	0.000	0.003	-0.008
	(0.013)	(0.003)	(0.003)	(0.002)	(0.002)	(0.005)	(0.010)	(0.021)
GCF	0.232***	0.012	0.013**	0.009	0.022*	0.093***	0.203***	0.268***
	(0.061)	(0.012)	(0.005)	(0.008)	(0.014)	(0.032)	(0.057)	(0.075)
RELIG	0.19	-0.045	-0.035	-0.004	0.005	0.088	0.333	0.212
	(0.227)	(0.053)	(0.031)	(0.035)	(0.060)	(0.110)	(0.237)	(0.304)
R^2	0.273							
Pseudo R^2		0.022	0.037	0.073	0.073	0.092	0.141	0.197
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. RELIG represents religious tensions and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 7: Regression results of ethnic tensions indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-8.347***	-0.027	-0.564**	-1.124***	-0.628*	-0.796	-3.519***	-5.110***
	(2.66)	(0.437)	(0.282)	(0.224)	(0.302)	(0.709)	(1.418)	(1.654)
GDPCAP	0.0156	0.037**	0.043***	0.046***	0.097***	0.128***	0.078	-0.047
	(0.032)	(0.017)	(0.012)	(0.011)	(0.020)	(0.032)	(0.065)	(0.087)
TRADE	0.0693**	-0.002	0.010***	0.020***	0.024***	0.031***	0.058***	0.104***
	(0.028)	(0.008)	(0.004)	(0.003)	(0.004)	(0.008)	(0.022)	(0.034)
INFL	-0.0237*	-0.003	-0.002	-0.004	-0.004	0.000	-0.001	0.008
	(0.012)	(0.003)	(0.003)	(0.002)	(0.003)	(0.006)	(0.012)	(0.017)
GCF	0.227***	0.011	0.012**	0.014*	0.018	0.087***	0.222***	0.293***
	(0.06)	(0.010)	(0.006)	(0.007)	(0.014)	(0.026)	(0.051)	(0.070)
ETHNIC	0.652**	-0.028	-0.016	0.110**	0.124*	0.099	0.382	0.441
	(0.251)	(0.060)	(0.051)	(0.041)	(0.077)	(0.127)	(0.257)	(0.302)
R^2	0.285							
Pseudo R^2		0.021	0.035	0.076	0.075	0.092	0.140	0.199
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. ETHNIC represents ethnic tensions and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 8: Regression results of corruption indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-4.753*	-0.359	-0.372	-0.497**	0.102	0.157	-0.689	-1.056
	(2.566)	(0.314)	(0.277)	(0.256)	(0.372)	(0.567)	(1.647)	(2.106)
GDPCAP	0.0214	0.046***	0.038***	0.058***	0.093***	0.114***	0.040	-0.075
	(0.030)	(0.018)	(0.012)	(0.012)	(0.021)	(0.036)	(0.074)	(0.091)
TRADE	0.0594**	-0.003	0.009***	0.020***	0.025***	0.034***	0.071***	0.121***
	(0.027)	(0.007)	(0.003)	(0.002)	(0.004)	(0.006)	(0.021)	(0.033)
INFL	-0.0205*	-0.004	-0.002	-0.002	-0.007**	-0.007	-0.012	-0.018
	(0.012)	(0.004)	(0.003)	(0.002)	(0.003)	(0.006)	(0.009)	(0.016)
GCF	0.242***	0.013	0.013***	0.012*	0.032**	0.100***	0.196***	0.262***
	(0.059)	(0.011)	(0.005)	(0.009)	(0.014)	(0.023)	(0.051)	(0.066)
CORR	-0.453*	0.070	-0.067	-0.079*	-0.250***	-0.469***	-0.704**	-1.213***
	(0.240)	(0.072)	(0.054)	(0.047)	(0.057)	(0.104)	(0.320)	(0.487)
R^2	0.278							
Pseudo R^2		0.022	0.037	0.075	0.083	0.104	0.147	0.207
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. CORR represents corruption and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 9: Regression results of law and order indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-8.140**	-0.167	-0.929***	-1.191***	-0.934***	-1.329**	-2.551	-3.213
	(2.956)	(0.426)	(0.325)	(0.217)	(0.302)	(0.707)	(1.628)	(2.581)
GDPCAP	0.0144	0.038**	0.036***	0.048***	0.083***	0.112***	0.106*	0.017
	(0.034)	(0.015)	(0.010)	(0.010)	(0.019)	(0.032)	(0.077)	(0.096)
TRADE	0.0692**	-0.003	0.011**	0.018***	0.024***	0.030***	0.060***	0.112***
	(0.028)	(0.008)	(0.004)	(0.003)	(0.004)	(0.008)	(0.018)	(0.029)
INFL	-0.0229**	-0.002	-0.001	-0.001	-0.005**	-0.002	0.000	-0.013
	(0.011)	(0.003)	(0.004)	(0.003)	(0.002)	(0.005)	(0.011)	(0.019)
GCF	0.235***	0.001	0.006	0.008	0.013	0.090***	0.220***	0.248***
	(0.062)	(0.015)	(0.007)	(0.006)	(0.012)	(0.028)	(0.064)	(0.074)
LAW	0.593*	0.095	0.148**	0.227***	0.285***	0.291*	0.048	-0.045
	(0.307)	(0.095)	(0.060)	(0.045)	(0.068)	(0.141)	(0.295)	(0.462)
R^2	0.280							
Pseudo R^2		0.025	0.040	0.086	0.085	0.096	0.137	0.196
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. LAW represents law and order and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 10: Regression results of bureaucracy quality indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-6.324**	-0.087	-0.544**	-0.672***	-0.019	-0.385	-0.804	-3.089**
	(2.667)	(0.463)	(0.234)	(0.227)	(0.309)	(0.660)	(1.092)	(1.308)
GDPCAP	0.0258	0.034**	0.038***	0.042***	0.087***	0.119***	0.019	-0.052
	(0.031)	(0.022)	(0.013)	(0.012)	(0.021)	(0.031)	(0.071)	(0.066)
TRADE	0.0699**	-0.003	0.012***	0.021***	0.027***	0.038***	0.075***	0.130***
	(0.030)	(0.009)	(0.003)	(0.003)	(0.004)	(0.007)	(0.016)	(0.022)
INFL	-0.0250*	-0.002	-0.003	-0.003	-0.007***	-0.002	-0.008	-0.015
	(0.013)	(0.004)	(0.004)	(0.002)	(0.002)	(0.005)	(0.011)	(0.019)
GCF	0.232***	0.012	0.011	0.015*	0.030***	0.104***	0.207***	0.293***
	(0.061)	(0.012)	(0.007)	(0.007)	(0.012)	(0.029)	(0.057)	(0.061)
BUR	0.0365	-0.005	-0.081	-0.114**	-0.307***	-0.490***	-1.241***	-1.471***
	(0.391)	(0.118)	(0.063)	(0.048)	(0.082)	(0.140)	(0.263)	(0.389)
R^2	0.271							
Pseudo R^2		0.021	0.037	0.076	0.080	0.102	0.164	0.221
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. BUR represents bureaucracy quality and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 11: Regression results of military in politics indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-6.744**	-0.074	-0.566**	-0.763***	-0.128	-0.413	-1.041	-1.107
	(3.105)	(0.387)	(0.249)	(0.226)	(0.291)	(0.574)	(1.041)	(2.111)
GDPCAP	0.024	0.033**	0.041***	0.057***	0.088***	0.124***	0.110*	0.033
	(0.031)	(0.016)	(0.009)	(0.013)	(0.019)	(0.033)	(0.071)	(0.107)
TRADE	0.0703**	-0.003	0.012***	0.022***	0.027***	0.036***	0.085***	0.111***
	(0.029)	(0.009)	(0.004)	(0.003)	(0.004)	(0.008)	(0.014)	(0.031)
INFL	-0.0246**	-0.002	-0.002	-0.003	-0.010***	-0.008	-0.023***	-0.039***
	(0.012)	(0.003)	(0.003)	(0.002)	(0.003)	(0.005)	(0.007)	(0.014)
GCF	0.229***	0.010	0.012**	0.013*	0.034***	0.114***	0.204***	0.339***
	(0.058)	(0.011)	(0.006)	(0.008)	(0.012)	(0.027)	(0.059)	(0.065)
MILIT	0.186	0.011	-0.054*	-0.044	-0.179***	-0.278***	-0.811***	-1.350***
	(0.301)	(0.053)	(0.031)	(0.035)	(0.074)	(0.095)	(0.182)	(0.334)
R^2	0.273							
Pseudo R^2		0.021	0.037	0.074	0.078	0.103	0.173	0.223
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. MILIT represents military in politics and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 12: Regression results of democratic accountability indicator effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-6.772**	-0.325	-0.624**	-0.722***	-0.503	-0.997	-3.045**	-3.863**
	(2.643)	(0.399)	(0.266)	(0.255)	(0.401)	(0.713)	(1.502)	(1.992)
GDPCAP	0.0188	0.044***	0.044***	0.055***	0.092***	0.115***	0.057	0.002
	(0.032)	(0.015)	(0.010)	(0.010)	(0.017)	(0.032)	(0.075)	(0.096)
TRADE	0.0676**	-0.004	0.010***	0.021***	0.026***	0.031***	0.048**	0.115***
	(0.029)	(0.007)	(0.003)	(0.003)	(0.004)	(0.006)	(0.019)	(0.029)
INFL	-0.0229*	-0.002	-0.002	-0.004**	-0.005*	-0.001	-0.001	-0.007
	(0.012)	(0.003)	(0.003)	(0.002)	(0.003)	(0.006)	(0.012)	(0.020)
GCF	0.230***	0.013	0.013**	0.010	0.023*	0.089***	0.190***	0.232***
	(0.061)	(0.010)	(0.005)	(0.008)	(0.013)	(0.027)	(0.059)	(0.083)
DEMOC	0.221	0.064	0.007	-0.019	0.032	0.192	0.712**	0.190
	(0.242)	(0.038)	(0.037)	(0.036)	(0.082)	(0.152)	(0.369)	(0.336)
R^2	0.273							
Pseudo R^2		0.023	0.035	0.073	0.073	0.092	0.143	0.196
Observations	700							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. DEMOC represents democratic accountability and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 13: Regression results of government stability indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.211**	-0.687***	-0.458***	-0.168***	-0.060**	0.013	-0.148	-0.262
	(0.092)	(0.181)	(0.130)	(0.040)	(0.026)	(0.051)	(0.113)	(0.212)
GDPCAP	0.005	0.008	0.003	0.005***	0.003**	0.005***	0.001	-0.002
	(0.003)	(0.011)	(0.004)	(0.002)	(0.001)	(0.002)	(0.006)	(0.014)
TRADE	0.002*	-0.002	-0.002	-0.000	0.0002	0.001	0.003***	0.006***
	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
INFL	-0.0003	0.001	-0.002	-0.001	-0.0004	-0.0001	-0.001	0.005
	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.004)
GCF	0.0009	0.015***	0.010***	0.002**	0.0003	-0.0004	-0.007***	-0.009**
	(0.002)	(0.004)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.073)
GOVST	0.009	0.018	0.013	0.006	0.005**	0.003	0.006	-0.011***
	(0.007)	(0.024)	(0.011)	(0.004)	(0.002)	(0.006)	(0.113)	(0.021)
R^2	0.018							
Pseudo R^2		0.062	0.060	0.024	0.010	0.015	0.042	0.038
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. GOVST represents government stability and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 14: Regression results of socioeconomic conditions indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.104	-0.605***	-0.295***	-0.065**	0.003	0.024	0.169**	0.133
	(0.064)	(0.211)	(0.072)	(0.028)	(0.015)	(0.039)	(0.077)	(0.130)
GDPCAP	0.006	0.014	0.004	0.003*	0.003**	0.006**	0.001	-0.0004
	(0.003)	(0.011)	(0.004)	(0.002)	(0.001)	(0.002)	(0.005)	(0.012)
TRADE	0.002	-0.003	-0.002	-0.0001	0.0003	-0.001	0.003***	0.004***
	(0.001)	(0.002)	(0.001)	(0.000)	(0.0002)	(0.001)	(0.001)	(0.001)
INFL	-0.001	-0.001	-0.002	-0.001**	-0.001	-0.0001	-0.001	0.005
	(0.001)	(0.002)	(0.001)	(0.001)	(0.0003)	(0.0005)	(0.001)	(0.005)
GCF	0.001	0.016***	0.010***	0.003***	0.001	0.001	-0.007***	-0.008
	(0.001)	(0.004)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.005)
SOCIO	-0.008	0.016	-0.006	-0.013***	-0.008*	0.0004	0.005	0.020
	(0.009)	(0.033)	(0.011)	(0.005)	(0.004)	(0.006)	(0.011)	(0.018)
R^2	0.016							
Pseudo R^2		0.040	0.055	0.027	0.011	0.014	0.041	0.040
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. SOCIO represents socioeconomic conditions and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 15: Regression results of investment profile indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.116	-0.795***	-0.421***	-0.130***	-0.027	-0.029	0.162	0.403*
	(0.079)	(0.194)	(0.098)	(0.049)	(0.017)	(0.045)	(0.110)	(0.224)
GDPCAP	0.006*	0.001	0.003	0.005***	0.002**	0.005**	0.003	-0.011
	(0.003)	(0.011)	(0.004)	(0.002)	(0.001)	(0.002)	(0.005)	(0.015)
TRADE	0.002	-0.005**	-0.002	-0.0003	0.0002	0.001**	0.004***	0.005***
	(0.001)	(0.002)	(0.001)	(0.0004)	(0.0002)	(0.001)	(0.001)	(0.002)
INFL	-0.001	-0.0002	-0.002	-0.001*	-0.0005	-0.0001	-0.001	0.001
	(0.001)	(0.003)	(0.002)	(0.001)	(0.0004)	(0.0004)	(0.001)	(0.005)
GCF	0.001	0.016***	0.009***	0.003***	-0.0005	-0.001	-0.008***	-0.004
	(0.002)	(0.003)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.005)
INVEST	-0.005	0.053**	0.015	0.003	0.003	0.008	0.003	-0.038
	(0.009)	(0.024)	(0.012)	(0.006)	(0.002)	(0.007)	(0.012)	(0.030)
R^2	0.016							
Pseudo R^2		0.086	0.061	0.022	0.009	0.016	0.042	0.046
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. INVEST represents investment profile and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 16: Regression results of internal conflict indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.314***	-0.888***	-0.528***	-0.186***	-0.037	-0.017	0.135	0.189
	(0.101)	(0.244)	(0.127)	(0.056)	(0.024)	(0.039)	(0.095)	(0.182)
GDPCAP	0.004	0.002	0.004	0.005***	0.002**	0.004*	-0.001	0.0003
	(0.003)	(0.008)	(0.004)	(0.002)	(0.001)	(0.002)	(0.006)	(0.011)
TRADE	0.001	-0.005**	-0.002	-0.001	0.0001	0.001	0.004***	0.005***
	(0.001)	(0.002)	(0.001)	(0.001)	(0.0002)	(0.001)	(0.001)	(0.002)
INFL	-0.0003	-0.003	-0.002	-0.001	-0.0005	-0.0002	-0.001	0.004
	(0.001)	(0.003)	(0.002)	(0.001)	(0.0003)	(0.0004)	(0.001)	(0.004)
GCF	0.0005	0.018***	0.011***	0.003***	-0.00003	-0.0001	-0.007***	-0.009*
	(0.002)	(0.004)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.005)
INCON	0.026**	0.057**	0.022	0.010	0.004	0.007	0.009	0.001
	(0.011)	(0.024)	(0.014)	(0.007)	(0.003)	(0.005)	(0.010)	(0.022)
R^2	0.033							
Pseudo R^2		0.105	0.069	0.025	0.010	0.017	0.042	0.037
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. INCON represents internal conflict and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 17: Regression results of external conflict indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.265**	-0.646**	-0.321**	-0.088	-0.041	-0.042	0.155	0.188
	(0.114)	(0.332)	(0.156)	(0.054)	(0.027)	(0.050)	(0.124)	(0.190)
GDPCAP	0.005	0.011	0.004	0.005***	0.003**	0.004*	0.003	0.0004
	(0.003)	(0.011)	(0.004)	(0.002)	(0.001)	(0.002)	(0.006)	(0.011)
TRADE	0.002	-0.002	-0.002*	-0.0002	0.0002	0.001	0.003***	0.005***
	(0.001)	(0.002)	(0.001)	(0.0004)	(0.0003)	(0.001)	(0.001)	(0.002)
INFL	-0.001	-0.001	-0.002	-0.001**	-0.0004	-0.0004	-0.001	0.003
	(0.001)	(0.003)	(0.001)	(0.001)	(0.0003)	(0.0004)	(0.001)	(0.004)
GCF	0.001	0.015***	0.010***	0.003***	0.0002	-0.0002	-0.008***	-0.009*
	(0.002)	(0.004)	(0.002)	(0.001)	(0.0006)	(0.001)	(0.002)	(0.005)
EXCON	0.014	0.010	0.001	-0.004	0.003	0.008	0.004	0.001
	(0.009)	(0.033)	(0.013)	(0.006)	(0.003)	(0.006)	(0.012)	(0.019)
R^2	0.019							
Pseudo R^2		0.059	0.055	0.022	0.009	0.016	0.041	0.037
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. EXCON represents external conflict and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 18: Regression results of religious tensions indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.226**	-0.588***	-0.382***	-0.147***	-0.035	-0.004	0.142*	0.151
	(0.107)	(0.149)	(0.072)	(0.032)	(0.022)	(0.036)	(0.083)	(0.124)
GDPCAP	0.006*	0.015	0.005	0.006***	0.003**	0.006**	0.001	0.001
	(0.003)	(0.010)	(0.004)	(0.002)	(0.001)	(0.002)	(0.006)	(0.013)
TRADE	0.002	-0.005**	-0.002**	-0.0004	0.0002	0.001	0.003***	0.003**
	(0.001)	(0.003)	(0.001)	(0.0004)	(0.0002)	(0.001)	(0.001)	(0.002)
INFL	-0.001	-0.001	-0.001	-0.001**	-0.0004	-0.0003	-0.001	0.007
	(0.001)	(0.003)	(0.002)	(0.001)	(0.0004)	(0.0004)	(0.001)	(0.005)
GCF	0.001	0.017***	0.011***	0.003***	0.0003	-0.001	-0.006***	-0.008*
	(0.002)	(0.004)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.004)
RELIG	0.021	0.040	0.016	0.010	0.004	0.011	0.017	0.031
	(0.025)	(0.032)	(0.013)	(0.007)	(0.004)	(0.005)	(0.012)	(0.023)
R^2	0.018							
Pseudo R^2		0.065	0.059	0.024	0.008	0.017	0.044	0.045
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. RELIG represents religious tensions and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 19:Regression results of ethnic tensions indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.156**	-0.567***	-0.314***	-0.111***	-0.022	-0.007	0.179***	0.177
	(0.066)	(0.198)	(0.065)	(0.035)	(0.020)	(0.037)	(0.069)	(0.136)
GDPCAP	0.006*	0.013	0.004	0.005**	0.003**	0.006***	-0.0002	0.001
	(0.003)	(0.010)	(0.004)	(0.002)	(0.001)	(0.002)	(0.006)	(0.011)
TRADE	0.002	-0.002	-0.002	-0.0002	0.0003	0.001	0.003***	0.005***
	(0.003)	(0.002)	(0.001)	(0.0004)	(0.0002)	(0.001)	(0.001)	(0.011)
INFL	-0.001	0.0001	-0.002	-0.001*	-0.001	-0.0001	-0.001	0.004
	(0.001)	(0.003)	(0.002)	(0.001)	(0.0004)	(0.0004)	(0.002)	(0.005)
GCF	0.001	0.015***	0.010***	0.003***	0.0002	-0.0001	-0.007***	-0.008*
	(0.002)	(0.003)	(0.002)	(0.008)	(0.001)	(0.001)	(0.002)	(0.005)
ETHNIC	0.003	-0.003	-0.002	-0.004	0.001	0.006	0.008	0.003
	(0.015)	(0.047)	(0.017)	(0.008)	(0.006)	(0.007)	(0.015)	(0.021)
R^2	0.016							
Pseudo R^2		0.058	0.055	0.023	0.008	0.015	0.041	0.038
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. ETHNIC represents ethnic tensions and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 20: Regression results of corruption indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.188**	-0.578***	-0.311***	-0.108***	-0.011	-0.004	0.159*	0.215
	(0.083)	(0.170)	(0.077)	(0.036)	(0.014)	(0.047)	(0.088)	(0.187)
GDPCAP	0.006*	0.014	0.004	0.005**	0.003*	0.005**	0.002	0.0001
	(0.003)	(0.011)	(0.005)	(0.002)	(0.001)	(0.003)	(0.006)	(0.013)
TRADE	0.002*	-0.003	-0.002*	-0.0002	0.0003	0.001	0.004***	0.005***
	(0.001)	(0.003)	(0.001)	(0.0003)	(0.0002)	(0.001)	(0.001)	(0.002)
INFL	-0.001	-0.001	-0.002	-0.001	-0.0005	-0.0001	-0.001	0.003
	(0.001)	(0.003)	(0.002)	(0.001)	(0.0003)	(0.0005)	(0.001)	(0.004)
GCF	0.001	0.015***	0.010***	0.003***	0.0004	-0.0001	-0.007***	-0.009*
	(0.002)	(0.004)	(0.002)	(0.001)	(0.0001)	(0.001)	(0.002)	(0.005)
CORR	0.013	0.018	-0.002	-0.004	0.005	0.007	0.006	-0.007
	(0.015)	(0.033)	(0.020)	(0.010)	(0.004)	(0.012)	(0.018)	(0.044)
R^2	0.017							
Pseudo R^2		0.059	0.055	0.022	0.008	0.015	0.040	0.037
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. CORR represents corruption and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 21:Regression results of law and order indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.237**	-0.691***	-0.377***	-0.134***	-0.037	-0.005	0.160*	0.156
	(0.089)	(0.179)	(0.084)	(0.032)	(0.022)	(0.042)	(0.088)	(0.137)
GDPCAP	0.005	0.016	0.004	0.005***	0.003**	0.006***	0.001	0.0003
	(0.003)	(0.012)	(0.004)	(0.002)	(0.001)	(0.002)	(0.006)	(0.014)
TRADE	0.002*	-0.003	-0.002	-0.0003	0.0003	0.001	0.003***	0.005***
	(0.001)	(0.002)	(0.001)	(0.002)	(0.0002)	(0.001)	(0.001)	(0.002)
INFL	-0.001	-0.0002	-0.002	-0.001**	-0.0004	-0.0001	-0.001	0.003
	(0.001)	(0.003)	(0.002)	(0.001)	(0.0003)	(0.0004)	(0.001)	(0.005)
GCF	0.001	0.015***	0.010***	0.002**	0.0001	-0.0003	-0.007***	-0.007
	(0.002)	(0.004)	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)	(0.005)
LAW	0.029	0.044*	0.019**	0.010	0.005	0.011	0.014	0.011
	(0.020)	(0.025)	(0.010)	(0.007)	(0.006)	(0.011)	(0.020)	(0.023)
R^2	0.019							
Pseudo R^2		0.066	0.058	0.023	0.009	0.015	0.041	0.038
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. LAW represents law and order and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 22: Regression results of bureaucracy quality indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.069	-0.636***	-0.256***	-0.086***	-0.015	-0.028	0.178**	0.223
	(0.075)	(0.238)	(0.087)	(0.028)	(0.013)	(0.034)	(0.078)	(0.154)
GDPCAP	0.005	0.010	0.003	0.003	0.003***	0.006***	0.002	-0.001
	(0.003)	(0.011)	(0.004)	(0.002)	(0.001)	(0.002)	(0.005)	(0.012)
TRADE	0.002	-0.003	-0.001	-0.0003	0.0003	0.001*	0.004***	0.006***
	(0.001)	(0.003)	(0.001)	(0.0004)	(0.0002)	(0.001)	(0.001)	(0.002)
INFL	-0.001	-0.0001	-0.002*	-0.001**	-0.0004	-0.0002	-0.001	0.003
	(0.001)	(0.003)	(0.001)	(0.001)	(0.0003)	(0.0004)	(0.001)	(0.005)
GCF	0.001	0.017***	0.009***	0.004***	0.001	-0.001	-0.008***	-0.010*
	(0.002)	(0.004)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.005)
BUR	0.040	0.036	-0.036	-0.027**	-0.014**	-0.0003	0.002	-0.021
	(0.034)	(0.082)	(0.035)	(0.012)	(0.007)	(0.015)	(0.021)	(0.040)
R^2	0.020							
Pseudo R^2		0.060	0.059	0.029	0.012	0.014	0.040	0.038
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. BUR represents bureaucracy quality and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 23: Regression results of military in politics indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.124	-0.628***	-0.381***	-0.115***	-0.016	0.026	0.230***	0.247
	(0.077)	(0.166)	(0.095)	(0.035)	(0.015)	(0.037)	(0.067)	(0.154)
GDPCAP	0.006*	0.005	0.005	0.005***	0.003**	0.006***	0.002	-0.003
	(0.003)	(0.010)	(0.004)	(0.002)	(0.001)	(0.002)	(0.006)	(0.012)
TRADE	0.002*	-0.006**	-0.002	-0.0004	0.0003	0.001*	0.003***	0.005**
	(0.001)	(0.003)	(0.001)	(0.001)	(0.0002)	(0.001)	(0.001)	(0.002)
INFL	-0.001	-0.0001	-0.001	-0.001**	-0.001*	-0.0002	-0.002	0.004
	(0.001)	(0.002)	(0.002)	(0.001)	(0.0003)	(0.0005)	(0.002)	(0.005)
GCF	0.001	0.019***	0.011***	0.003**	0.0001	-0.001	-0.008***	-0.004
	(0.001)	(0.005)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.006)
MILIT	-0.008	0.076**	-0.017	0.003	-0.001	-0.001	-0.010	-0.030
	(0.025)	(0.039)	(0.016)	(0.007)	(0.003)	(0.008)	(0.011)	(0.027)
R^2	0.016							
Pseudo R^2		0.090	0.059	0.022	0.008	0.014	0.042	0.046
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. MILIT represents military in politics and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 24: Regression results of democratic accountability indicator effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.173**	-0.705***	-0.399***	-0.143***	-0.014	-0.004	0.239***	0.203
	(0.073)	(0.184)	(0.089)	(0.041)	(0.019)	(0.031)	(0.087)	(0.143)
GDPCAP	0.005	0.006	0.006	0.005***	0.003**	0.005**	0.001	0.0004
	(0.003)	(0.009)	(0.004)	(0.002)	(0.001)	(0.002)	(0.005)	(0.013)
TRADE	0.002	-0.004	-0.002*	-0.0003	0.0003	0.001*	0.004***	0.005***
	(0.003)	(0.003)	(0.001)	(0.0004)	(0.0002)	(0.001)	(0.001)	(0.001)
INFL	-0.001	-0.0004	-0.002	-0.001*	-0.001*	-0.0003	-0.002	0.003
	(0.001)	(0.003)	(0.002)	(0.001)	(0.0003)	(0.0004)	(0.001)	(0.005)
GCF	0.001	0.014***	0.009***	0.003**	0.0001	-0.0002	-0.008***	-0.009*
	(0.002)	(0.003)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.005)
DEMOC	0.011	0.089*	0.033	0.010	-0.002	0.004	-0.012	0.004
	(0.014)	(0.050)	(0.021)	(0.008)	(0.004)	(0.009)	(0.017)	(0.022)
R^2	0.017							
Pseudo R^2		0.075	0.062	0.024	0.008	0.015	0.041	0.037
Observations	700							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP denotes GDP per capita growth rate. TRADE denotes trade openness as a percentage of GDP. INFL is the inflation rate. GCF is the gross fixed capital formation as a percentage of GDP. DEMOC represents democratic accountability and is one of the twelve political risk indicators. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table C2- 25:Wald tests of the symmetry of parameters for quantile regressions of political risk indicators effects on FDI inflows

Variables	Quantiles						
	5th	10th	25th	50th	75th	90th	95th
GOVST	82.075***	106.853***	61.610***	61.610***	61.610***	107.958***	120.216***
SOCIO	110.082***	109.501***	74.174***	74.174***	74.174***	90.663***	106.998***
INVEST	92.757***	86.489***	56.325***	56.325***	56.325***	65.145***	81.625***
INCON	84.689***	76.171***	48.091***	48.091***	48.091***	80.769***	96.344***
EXCON	87.375***	67.896***	55.253***	55.253***	55.253***	78.097***	78.948***
CORR	109.993***	134.989***	80.577***	80.577***	80.577***	111.386***	108.701***
MILIT	150.450***	124.659***	84.660***	84.660***	84.660***	134.663***	112.459***
RELIG	81.954***	78.392***	57.159***	57.159***	57.159***	71.120***	72.726***
LAW	88.022***	65.833***	58.338***	58.338***	58.338***	69.533***	74.024***
ETHNIC	94.905***	102.209***	55.746***	55.746***	55.746***	71.100***	77.155***
DEMOC	65.808***	58.265***	46.661***	46.661***	46.661***	66.652***	71.065***
BUR	114.838***	94.465***	70.480***	70.480***	70.480***	103.845***	95.222***

Notes: GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR stand respectively for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. *** indicates statistical significance at the 1% level.

Table C2- 26: Wald tests of the symmetry of parameters for quantile regressions of political risk indicators effects on bank inflows

Variables	Quantiles						
	5th	10th	25th	50th	75th	90th	95th
GOVST	42.468***	67.616***	14.101	14.101	14.101	51.278***	35.388***
SOCIO	46.725***	64.369***	27.163***	27.163***	27.163***	64.590***	34.533***
INVEST	46.150***	79.160***	27.892***	27.892***	27.892***	62.243***	38.835***
INCON	35.917***	55.322***	18.127**	18.127**	18.127**	47.176***	34.072***
EXCON	47.293***	57.772***	22.394***	22.394***	22.394***	42.737***	33.653***
CORR	45.581***	46.582***	18.563***	18.563***	18.563***	53.865***	32.533***
MILIT	43.634***	68.370***	17.835*	17.835*	17.835*	38.073***	27.280**
RELIG	51.375***	67.444***	22.159***	22.159***	22.159***	69.281***	37.310***
LAW,	36.972***	78.737***	19.921**	19.921**	19.921**	64.203***	33.194***
ETHNIC	35.455***	61.056***	20.758**	20.758**	20.758**	60.903***	45.627***
DEMOC	55.891***	71.118***	33.298***	33.298***	33.298***	69.214***	49.871***
BUR	53.842***	96.826***	30.771***	30.771***	30.771***	51.488***	45.964***

Note: GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR stand respectively for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively.

Appendix D2. Data Description of Additional Control Variables

The following is the description of the additional control variables used in the robustness tests:

Set of US indicators: We account for a few external factors as the existing literature identifies various push and pull factors as drivers of capital flows. We thus include various US indicators that are likely to affect the global capital flow movements such as the federal funds rate, the US' GDP growth per capita, US policy uncertainty index constructed by Baker et al. (2016), the VIX volatility index, and log changes in the S&P commodity price index.

Human capital: as for the domestic factors, we first control for human capital, one of the key missing factors of production that is found to explain the lack of capital flows from rich to poor countries (see, e.g., Lucas, 1990; Cleeve et al., 2015; among others). Following previous studies, we use the average years of schooling of those aged over 25 by Barro and Lee (2013) to proxy this factor. The data represents "the number of years of attainment achieved by the average person in each country at various levels and in total schooling".

Natural resources: Given this study is on Africa, we also find it important to control for the level of natural resources since they are known to be among the key factors attracting investors to the continent (Asiedu, 2006). Following previous studies on the role of natural resources in Africa, we use total natural resource rents as a percentage of GDP for this purpose (see, e.g., Bhattacharyya and Hodler, 2010; Bhattacharyya and Hodler, 2014; Cleeve et al., 2015).

Infrastructure: We also include a measure of infrastructure, another commonly used indicator as a determinant in the capital flow literature (see, e.g., Asiedu, 2002; Asiedu, 2006, Cleeve et al., 2015). According to the literature, improvement in physical infrastructure would stimulate capital flows since they contribute to the production in terms of labour, capital and resources. We use the number of mainline telephone subscriptions as a measure for infrastructural development.

Other indicators: Similar to Reinhardt et al. (2013), we further add other commonly stated indicators in the literature, such as **population growth** as a demographic indicator, **terms of trad**e, **aid flows** and **net foreign assets** as current account determinants.

Sovereign risk: Alfaro et al. (2008) state that the Lucas paradox is also explained by international capital market imperfections such as sovereign risk and capital restrictions. Reinhart (2009) further links the causes of capital flow surges with debt defaults as an example of economic crises in emerging economies. We thus add a proxy to capture sovereign risk by using **external debt** as a percentage of GDP. The latter captures the level of debt owed by the national government to foreign lenders, where the inability of repayment refers to a sovereign default.

Financial openness: We also account for the degree of financial openness by using the capital account openness index measure by Chinn and Ito (2006). According to Reinhardt et al. (2013), the failure of the neoclassical theory to predict foreign capital flows is linked with the degree of capital account openness and, thus, the differences among capital flow movements would be due to capital account liberalisation. The index is originally based on a 4 binary dummy to capture the degree of intensity of capital controls through various factors, such as restrictions on current and capital account transactions among others, where higher values indicate more openness to cross-border capital transactions.

Exchange rate regime: Changes in the exchange rate regime is also known to be at play for cross-border capital flows. We use the index by Ilzetzki et al. (2019) which refers to the fine exchange range arrangement of a country with values ranging from 1 to 15, where higher values imply more flexible exchange rates.

Quantitative easing dummy: Based on some recent studies which highlight the role of quantitative easing in the western world on capital flows (see, e.g., Lim and Mohapatra, 2016), we also control for this factor by creating a quantitative easing dummy. Quantitative easing is an unconventional monetary policy in the US that helps to stimulate the economy by increasing money supply, lending and investment through the purchase of financial assets from the market. There were three quantitative easing episodes that occurred from 2009 to 2013 following the financial crisis. To account for these episodes, the dummy variable takes the value of 1 from 2010 to 2013, and 0 otherwise.

Financial crisis dummy: We also add a dummy to capture the effects of the historical global financial crisis on capital flows. The latter takes the value of 1 from 2008 to 2010, and 0 otherwise.

Landlocked dummy: Many authors in the literature have shown that investors' location decision is influenced by whether a country is surrounded by other countries or are found along the coastline. Africa is a continent with both coastal and landlocked countries, so we also find it important to account for this factor in our study. We thus add a landlocked dummy variable taking the value of 1 if countries in our sample are landlocked, and 0 otherwise.[15]

Legal origin dummy: La Porta et al. (1997) state that the current legal environment and rules adopted in a country is a result of the history of its legal system. They show how different legal origins have different levels of legal investor protection and that this is among the determining factors of investors' location decision. For example, the authors highlight four legal systems: English common law, French civil law, German civil law and Scandinavian civil law, where the strongest investor protection is found under the British common law while the French civil law appears to be the weakest. Thus, we also include a legal origin dummy in our analysis to check if it is at play. Based on the history of Africa, most countries originate from either the French or the British legal system. The dummy variable will thus be taking the value of 1 if the country is from the English legal origin, and 0 otherwise.[16]

[15] Countries taking the value of 1 (landlocked) include Botswana, Burkina Faso, Malawi, Mali, Niger, Uganda and Zimbabwe. Those taking the value of 0 (coastal) include Algeria, Cameroon, Cote d'Ivoire, Egypt, Gabon, Gambia, Ghana, Guinea, Kenya, Madagascar, Morocco, Mozambique, Namibia, Nigeria, Senegal, Sierra Leone, South Africa, Sudan, Tanzania, Togo and Tunisia.

[16] Countries taking the value of 1 (English legal origin) include Botswana, Ghana, Kenya, Malawi, Namibia, Nigeria, Sierra Leone, South Africa, Sudan, Tanzania, Uganda and Zimbabwe. Those taking the value of 0 (French legal origin) are Algeria, Burkina Faso, Cameroon, Cote d'Ivoire, Egypt, Gabon, Gambia, Guinea, Madagascar, Mali, Morocco, Mozambique, Niger, Senegal, Togo and Tunisia.

Table D2- 1: Description of additional controls used in the robustness analysis

Variables	Definitions	Data Source
US central bank policy rate	The central bank policy rate is the interest rate used by the central bank to implement or indicate its monetary policy position	IMF' IFS
US GDP per capita growth	Gross Domestic Product (GDP) per capita growth rate is the GDP divided by midyear population. GDP is defined as the sum of gross value added by all resident producers in the economy.	World Bank
US policy uncertainty index	The Economic Policy Uncertainty (EPU) index is based on the frequency of articles coverage in 10 leading newspapers in the US. The index broadly captures uncertainty decisions, actions, inactions and so on.	Baker et al. (2016)
VIX volatility Index	The Chicago Board Options Exchange (CBOE) volatility index measures the market's expectation of future volatility implied by options prices. The index used is the close price and is quoted in percentage points.	CBOE Global Markets
S&P commodity price index	The S&P GSCI (Goldman Sachs Commodity Index) total return index in USD is a composite index of the commodity sector returns which represents the lending measure of general commodity price movements. The index is calculated based on weighted global production levels and comprises of the principle commodities futures contracts.	Bloomberg
Human capital	Average schooling years of those aged over 25 in the total population measured in five-year intervals. The data represents "the number of years of attainment achieved by the average person in each country at various levels and in total schooling".	Barro and Lee (2018)
Natural resources	Total natural resources rents represent the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents. Rents denote price minus the average extraction costs. They are a weighted average measured as a percentage of GDP.	World Bank
Infrastructure	Fixed telephones subscriptions representing a weighted average of the sum mainline telephones per 100 of population.	World Bank
Population growth	Annual population growth rate of all residents regardless of legal status or citizenship.	World Bank
Terms of trade	The net barter terms of trade index calculated as a percentage ratio of the export unit value indexes to the import unit value indexes, measured relative to the base year 2000.	World Bank
Net foreign assets	Net foreign assets are the sum of foreign assets held by monetary authorities and deposit money banks, less their foreign abilities.	World Bank
Aid flows	Net Aid Transfers (NAT) representing total net aid minus other official flows loan cancellation minus interest actually received. Data are in millions of US dollars, weighted as a percentage of GDP.	Roodman (2006)

Sovereign risk	Represented by total external debt stocks owed to non-residents repayable in currency, goods or services. Data are in US dollars, weighted as a percentage of GDP.	World Bank
Financial openness	A capital account openness index measuring the degree of financial openness through the intensity of capital controls. The index is based on three major categories on the restrictions on foreign financial transactions; the presence of multiple exchange rates, restrictions on current account transactions and the requirement of the surrender of export proceeds.	Chinn and Ito (2006)
Exchange rate regime	Fine classification exchange rate arrangement as an indicator for the type of exchange rate regime. Values range from 1 to 15, where higher values imply more flexible exchange rates.	Ilzetzki et al. (2019)
Quantitative easing	A dummy to represent the different periods of quantitative easing programs, with 1 if year = 2010, 2011 and 2013, 0 otherwise.	-
Financial crisis	A dummy to represent the global financial crisis, with 1 if year = 2008, 2009 and 2010, 0 otherwise.	-
Landlocked	A dummy to distinguish between landlocked and coastal countries, with 1 if countries are landlocked, 0 otherwise.	-
Legal origin	A dummy to distinguish between English and French legal origin of countries, with 1 if countries are from British legal origin, 0 otherwise.	-

Appendix E2. Robustness Tests Estimation Results

Table E2- 1: Regression results of government stability indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-7.079***	-1.314**	-1.048***	-1.693***	-2.017***	-2.443***	-5.501***	-7.396***
	(2.362)	(0.512)	(0.326)	(0.270)	(0.285)	(0.505)	(1.235)	(1.669)
GDPCAP	0.031	0.033	0.042**	0.053***	0.087***	0.099**	0.031	-0.040
	(0.027)	(0.025)	(0.020)	(0.012)	(0.013)	(0.043)	(0.054)	(0.050)
TRADE	0.050	0.001	0.007*	0.018***	0.020***	0.024***	0.064***	0.072**
	(0.033)	(0.006)	(0.003)	(0.003)	(0.003)	(0.006)	(0.016)	(0.036)
INFL	-0.008	0.004	0.001	0.002	0.005**	0.005	0.021	0.020
	(0.013)	(0.005)	(0.003)	(0.003)	(0.003)	(0.008)	(0.014)	(0.017)
GCF	0.177***	-0.006	0.006	0.003	0.012	0.044	0.136**	0.251***
	(0.062)	(0.016)	(0.012)	(0.005)	(0.012)	(0.029)	(0.064)	(0.058)
GOVST	0.391***	0.149***	0.099**	0.163***	0.269***	0.403***	0.564***	0.736***
	(0.098)	(0.053)	(0.039)	(0.025)	(0.038)	(0.063)	(0.141)	(0.188)
R^2	0.199							
Pseudo R^2		0.038	0.046	0.089	0.100	0.110	0.135	0.164
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. GOVST represents lagged government stability and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 2: Regression results of socioeconomic conditions indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-1.933	0.188	-0.160	-0.062	0.670*	1.657**	0.906	2.421
	(2.611)	(0.450)	(0.289)	(0.316)	(0.342)	(0.796)	(1.642)	(2.608)
GDPCAP	0.040	0.040	0.045***	0.063***	0.100***	0.171***	0.118*	0.132
	(0.025)	(0.025)	(0.016)	(0.014)	(0.019)	(0.041)	(0.061)	(0.100)
TRADE	0.046	-0.003	0.008**	0.018***	0.021***	0.036***	0.098***	0.147***
	(0.036)	(0.007)	(0.003)	(0.004)	(0.004)	(0.008)	(0.018)	(0.029)
INFL	-0.020	-0.005*	-0.003	-0.005	-0.005	-0.007	0.002	-0.005
	(0.015)	(0.003)	(0.003)	(0.004)	(0.003)	(0.007)	(0.011)	(0.013)
GCF	0.184***	0.035**	0.018**	0.016*	0.039***	0.061**	0.138**	0.085
	(0.062)	(0.014)	(0.009)	(0.010)	(0.013)	(0.028)	(0.066)	(0.080)
SOCIO	-0.421**	-0.201***	-0.093*	-0.118***	-0.238***	-0.440***	-0.865***	-1.246***
	(0.180)	(0.072)	(0.052)	(0.043)	(0.049)	(0.105)	(0.215)	(0.298)
R^2	0.182							
Pseudo R^2		0.031	0.038	0.071	0.081	0.095	0.137	0.181
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. SOCIO represents lagged socioeconomic conditions and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 3: Regression results of investment profile indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-5.703**	-0.480	-0.476*	-0.813***	-0.731*	-1.100	-1.340	-1.503
	(2.274)	(0.463)	(0.281)	(0.265)	(0.387)	(0.702)	(1.152)	(2.987)
GDPCAP	0.042	0.035	0.049***	0.069***	0.103***	0.100**	0.107**	0.136
	(0.026)	(0.022)	(0.018)	(0.013)	(0.024)	(0.041)	(0.046)	(0.096)
TRADE	0.055	-0.004	0.009***	0.019***	0.024***	0.027***	0.049***	0.112***
	(0.033)	(0.008)	(0.003)	(0.003)	(0.005)	(0.007)	(0.012)	(0.037)
INFL	-0.017	0.002	-0.000	-0.002	-0.000	0.005	-0.007	-0.007
	(0.013)	(0.004)	(0.003)	(0.003)	(0.004)	(0.006)	(0.011)	(0.022)
GCF	0.162**	-0.000	0.002	-0.007	-0.006	0.050	0.174**	0.176**
	(0.065)	(0.018)	(0.009)	(0.008)	(0.013)	(0.033)	(0.084)	(0.086)
INVEST	0.263**	0.083	0.023	0.090***	0.154***	0.221**	0.100	-0.101
	(0.111)	(0.065)	(0.034)	(0.027)	(0.047)	(0.098)	(0.214)	(0.360)
R^2	0.177							
Pseudo R^2		0.024	0.033	0.071	0.073	0.078	0.108	0.127
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. INVEST represents lagged investment profile and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 4: Regression results of internal conflict indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-6.069**	-0.320	-0.631**	-0.786***	-0.908**	-1.382**	-3.052**	-4.780***
	(2.545)	(0.504)	(0.298)	(0.244)	(0.420)	(0.634)	(1.302)	(1.662)
GDPCAP	0.026	0.025	0.048***	0.061***	0.093***	0.112**	0.077**	0.056
	(0.035)	(0.022)	(0.016)	(0.017)	(0.024)	(0.044)	(0.039)	(0.077)
TRADE	0.050	-0.005	0.008**	0.017***	0.021***	0.024***	0.028*	0.053
	(0.031)	(0.008)	(0.004)	(0.004)	(0.005)	(0.008)	(0.016)	(0.040)
INFL	-0.022	0.002	-0.000	-0.003	-0.000	0.002	0.000	0.035
	(0.014)	(0.003)	(0.003)	(0.002)	(0.004)	(0.005)	(0.010)	(0.024)
GCF	0.171**	-0.000	0.006	0.006	0.020	0.065**	0.185***	0.195***
	(0.062)	(0.016)	(0.007)	(0.008)	(0.015)	(0.032)	(0.055)	(0.073)
INCON	0.295**	0.069*	0.032	0.056**	0.115**	0.218***	0.407***	0.682**
	(0.128)	(0.036)	(0.025)	(0.023)	(0.049)	(0.064)	(0.125)	(0.297)
R^2	0.183							
Pseudo R^2		0.023	0.033	0.068	0.070	0.084	0.125	0.142
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. INCON represents lagged internal conflict and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 5: Regression results of external conflict indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-7.102***	-0.480	-0.778**	-0.890***	-1.133**	-2.047**	-5.228***	-8.251***
	(2.433)	(0.520)	(0.322)	(0.285)	(0.534)	(0.793)	(1.094)	(1.919)
GDPCAP	0.031	0.046**	0.055***	0.067***	0.100***	0.123***	0.087**	0.037
	(0.031)	(0.021)	(0.017)	(0.016)	(0.024)	(0.042)	(0.043)	(0.093)
TRADE	0.052	-0.004	0.008*	0.017***	0.020***	0.023***	0.033***	0.055
	(0.033)	(0.007)	(0.004)	(0.003)	(0.006)	(0.008)	(0.013)	(0.041)
INFL	-0.023	-0.001	-0.004	-0.002	-0.004	0.002	0.011	0.042*
	(0.014)	(0.003)	(0.003)	(0.003)	(0.004)	(0.006)	(0.012)	(0.024)
GCF	0.174**	0.006	0.004	0.000	0.019	0.068**	0.169***	0.205**
	(0.064)	(0.010)	(0.009)	(0.008)	(0.013)	(0.030)	(0.051)	(0.086)
EXCON	0.337**	0.049	0.052**	0.064**	0.131**	0.261***	0.557***	0.877***
	(0.128)	(0.032)	(0.021)	(0.032)	(0.060)	(0.081)	(0.128)	(0.301)
R^2	0.181							
Pseudo R^2		0.021	0.035	0.068	0.068	0.084	0.127	0.135
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. EXCON represents lagged external conflict and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 6: Regression results of corruption indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-2.249	0.027	-0.405*	-0.248	0.607	0.734	0.060	-1.666
	(2.095)	(0.358)	(0.232)	(0.285)	(0.443)	(0.638)	(1.794)	(2.190)
GDPCAP	0.043*	0.033	0.059***	0.074***	0.106***	0.123***	0.091	0.062
	(0.025)	(0.021)	(0.016)	(0.013)	(0.022)	(0.046)	(0.063)	(0.089)
TRADE	0.043	-0.006	0.008***	0.017***	0.020***	0.031***	0.052***	0.120***
	(0.030)	(0.006)	(0.003)	(0.004)	(0.005)	(0.006)	(0.018)	(0.039)
INFL	-0.020	-0.003	-0.002	-0.003	-0.005	-0.006	-0.017	-0.006
	(0.014)	(0.003)	(0.002)	(0.002)	(0.004)	(0.007)	(0.014)	(0.026)
GCF	0.189***	0.006	0.009	0.008	0.030***	0.079***	0.180***	0.209**
	(0.060)	(0.012)	(0.007)	(0.008)	(0.011)	(0.028)	(0.059)	(0.084)
CORR	-0.583**	0.052	-0.014	-0.065	-0.287***	-0.439***	-0.335	-0.560
	(0.223)	(0.079)	(0.067)	(0.042)	(0.068)	(0.134)	(0.423)	(0.561)
R^2	0.179							
Pseudo R^2		0.017	0.032	0.065	0.073	0.084	0.110	0.131
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. CORR represents lagged corruption and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 7: Regression results of military in politics indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-5.039	0.046	-0.412*	-0.438	0.030	0.148	-0.015	0.670
	(2.962)	(0.369)	(0.238)	(0.272)	(0.390)	(0.575)	(1.178)	(2.454)
GDPCAP	0.045	0.033*	0.057***	0.073***	0.095***	0.147***	0.140***	0.170**
	(0.029)	(0.019)	(0.015)	(0.015)	(0.024)	(0.043)	(0.049)	(0.083)
TRADE	0.058	-0.007	0.011***	0.019***	0.024***	0.035***	0.088***	0.111***
	(0.034)	(0.008)	(0.004)	(0.004)	(0.005)	(0.007)	(0.019)	(0.032)
INFL	-0.025	-0.003	-0.002	-0.003	-0.005	-0.000	-0.022**	-0.029*
	(0.015)	(0.003)	(0.003)	(0.003)	(0.004)	(0.008)	(0.010)	(0.017)
GCF	0.170**	0.013	0.008	0.008	0.031***	0.080***	0.143**	0.247***
	(0.062)	(0.012)	(0.007)	(0.009)	(0.012)	(0.027)	(0.058)	(0.074)
MILIT	0.320	0.014	-0.043	-0.035	-0.141**	-0.229**	-0.728***	-1.378***
	(0.368)	(0.066)	(0.032)	(0.046)	(0.065)	(0.097)	(0.232)	(0.430)
R^2	0.172							
Pseudo R^2		0.016	0.034	0.064	0.067	0.082	0.128	0.150
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. MILIT represents lagged military in politics and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 8: Regression results of religious tensions indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-4.919*	0.311	-0.252	-0.452	-0.325	-0.561	-1.359	-3.087
	(2.509)	(0.452)	(0.247)	(0.341)	(0.347)	(0.651)	(1.360)	(1.970)
GDPCAP	0.048	0.041**	0.059***	0.073***	0.106***	0.128***	0.127**	0.139
	(0.028)	(0.017)	(0.015)	(0.015)	(0.019)	(0.040)	(0.053)	(0.098)
TRADE	0.057	-0.004	0.011***	0.019***	0.023***	0.022***	0.026	0.083**
	(0.033)	(0.008)	(0.003)	(0.004)	(0.005)	(0.007)	(0.020)	(0.041)
INFL	-0.026	-0.005*	-0.001	-0.002	-0.004	0.003	-0.002	0.007
	(0.016)	(0.003)	(0.002)	(0.003)	(0.004)	(0.007)	(0.013)	(0.026)
GCF	0.176**	0.012	0.004	0.004	0.024*	0.082***	0.195***	0.230***
	(0.064)	(0.010)	(0.007)	(0.008)	(0.013)	(0.026)	(0.055)	(0.075)
RELIG	0.189	-0.093**	-0.062**	0.002	0.032	0.190	0.401**	0.416
	(0.224)	(0.043)	(0.026)	(0.039)	(0.048)	(0.128)	(0.177)	(0.418)
R^2	0.169							
Pseudo R^2		0.020	0.035	0.064	0.064	0.078	0.116	0.132
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. RELIG represents lagged religious tensions and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 9: Regression results of law and order indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-5.905**	-0.140	-0.613*	-0.868***	-0.824**	-0.674	-0.954	-3.213
	(2.623)	(0.370)	(0.322)	(0.239)	(0.333)	(0.578)	(1.407)	(2.355)
GDPCAP	0.038	0.025	0.041**	0.064***	0.092***	0.130***	0.116**	0.097
	(0.031)	(0.015)	(0.018)	(0.016)	(0.019)	(0.040)	(0.059)	(0.097)
TRADE	0.056*	-0.007	0.007*	0.016***	0.021***	0.026***	0.051**	0.100***
	(0.033)	(0.006)	(0.004)	(0.004)	(0.005)	(0.006)	(0.021)	(0.032)
INFL	-0.024	-0.003	-0.002	-0.003	-0.003	0.002	-0.010	0.003
	(0.014)	(0.002)	(0.003)	(0.003)	(0.004)	(0.006)	(0.013)	(0.019)
GCF	0.179***	-0.013	0.003	0.001	0.011	0.059*	0.180***	0.211**
	(0.064)	(0.015)	(0.009)	(0.007)	(0.013)	(0.031)	(0.062)	(0.087)
LAW	0.541*	0.238**	0.150**	0.213***	0.332***	0.332**	0.030	0.303
	(0.299)	(0.092)	(0.060)	(0.053)	(0.089)	(0.138)	(0.303)	(0.510)
R^2	0.175							
Pseudo R^2		0.027	0.038	0.078	0.076	0.081	0.108	0.128
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. LAW represents lagged law and order and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 10: Regression results of ethnic tensions indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-6.603**	-0.098	-0.508**	-0.816**	-0.554	-0.710	-1.688	-3.263**
	(2.395)	(0.427)	(0.256)	(0.324)	(0.339)	(0.557)	(1.422)	(1.595)
GDPCAP	0.037	0.035**	0.053***	0.069***	0.112***	0.133***	0.106**	0.076
	(0.029)	(0.015)	(0.014)	(0.016)	(0.022)	(0.038)	(0.050)	(0.076)
TRADE	0.056*	-0.005	0.008**	0.019***	0.023***	0.030***	0.036*	0.091**
	(0.032)	(0.007)	(0.003)	(0.004)	(0.004)	(0.006)	(0.021)	(0.037)
INFL	-0.024	0.000	-0.002	-0.001	-0.003	0.001	-0.002	0.006
	(0.015)	(0.004)	(0.003)	(0.003)	(0.005)	(0.007)	(0.011)	(0.030)
GCF	0.171***	0.001	0.005	0.002	0.009	0.066***	0.200***	0.232***
	(0.061)	(0.012)	(0.007)	(0.008)	(0.012)	(0.025)	(0.058)	(0.072)
ETHNIC	0.749***	0.090	0.054	0.107**	0.196**	0.190	0.396	0.412
	(0.255)	(0.069)	(0.037)	(0.049)	(0.094)	(0.125)	(0.264)	(0.370)
R^2	0.186							
Pseudo R^2		0.019	0.033	0.067	0.067	0.077	0.110	0.132
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. ETHNIC represents lagged ethnic tensions and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 11: Regression results of democratic accountability indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-5.068**	-0.202	-0.462*	-0.633**	-0.319	-1.044*	-2.169*	-4.182**
	(2.396)	(0.493)	(0.276)	(0.262)	(0.398)	(0.608)	(1.248)	(1.958)
GDPCAP	0.037	0.037**	0.057***	0.071***	0.108***	0.113***	0.083	0.063
	(0.031)	(0.018)	(0.016)	(0.016)	(0.026)	(0.043)	(0.056)	(0.099)
TRADE	0.053	-0.007	0.009***	0.019***	0.022***	0.027***	0.040***	0.100***
	(0.033)	(0.008)	(0.003)	(0.004)	(0.004)	(0.006)	(0.013)	(0.036)
INFL	-0.022	-0.001	-0.002	-0.002	-0.002	0.003	-0.001	0.013
	(0.014)	(0.002)	(0.003)	(0.002)	(0.004)	(0.006)	(0.014)	(0.025)
GCF	0.172***	0.009	0.008	0.005	0.021	0.079***	0.167***	0.190**
	(0.061)	(0.013)	(0.008)	(0.008)	(0.015)	(0.028)	(0.060)	(0.074)
DEMOC	0.378	0.089*	0.013	0.039	0.069	0.355***	0.711**	0.743
	(0.270)	(0.052)	(0.054)	(0.043)	(0.096)	(0.126)	(0.297)	(0.565)
R^2	0.174							
Pseudo R^2		0.021	0.032	0.064	0.064	0.081	0.121	0.132
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. DEMOC represents lagged democratic accountability and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 12: Regression results of bureaucracy quality indicator's lagged effect on FDI inflows

Dependent Variable: FDIGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-3.990*	0.104	-0.341	-0.298	0.244	0.407	-0.364	-1.889
	(2.312)	(0.455)	(0.277)	(0.271)	(0.383)	(0.723)	(1.152)	(2.153)
GDPCAP	0.048*	0.031*	0.052***	0.070***	0.096***	0.131***	0.102	0.084
	(0.027)	(0.017)	(0.016)	(0.015)	(0.021)	(0.042)	(0.070)	(0.133)
TRADE	0.056	-0.005	0.011***	0.018***	0.021***	0.032***	0.069***	0.134***
	(0.034)	(0.008)	(0.003)	(0.004)	(0.005)	(0.007)	(0.020)	(0.038)
INFL	-0.025	-0.003	-0.002	-0.003	-0.004	0.000	-0.001	-0.002
	(0.015)	(0.003)	(0.003)	(0.003)	(0.004)	(0.008)	(0.012)	(0.017)
GCF	0.177**	0.006	0.004	0.008	0.030**	0.071**	0.179***	0.217***
	(0.064)	(0.012)	(0.008)	(0.008)	(0.012)	(0.033)	(0.054)	(0.078)
BUR	-0.098	0.027	-0.085	-0.116**	-0.283***	-0.408***	-1.028***	-1.523***
	(0.416)	(0.102)	(0.059)	(0.056)	(0.078)	(0.156)	(0.318)	(0.583)
R^2	0.168							
Pseudo R^2		0.016	0.033	0.066	0.071	0.083	0.119	0.145
Observations	672							

Notes: FDIGDP is the dependent variable and is the net FDI inflows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. BUR represents lagged bureaucracy quality and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 13: Regression results of government stability indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.238***	-0.760***	-0.495***	-0.151**	-0.069**	-0.003	0.157	0.187
	(0.081)	(0.263)	(0.122)	(0.059)	(0.029)	(0.040)	(0.133)	(0.209)
GDPCAP	0.006	0.011	0.006	0.004**	0.001	0.003	0.005	0.005
	(0.004)	(0.008)	(0.005)	(0.002)	(0.001)	(0.003)	(0.005)	(0.007)
TRADE	0.002***	-0.003	-0.002	0.000	0.000*	0.002**	0.003***	0.006***
	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
INFL	0.001	0.001	-0.000	-0.000	-0.000	-0.000	0.001	0.001
	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.001)	(0.004)
GCF	-0.000	0.012**	0.009***	0.002*	-0.000	-0.002	-0.007**	-0.007
	(0.002)	(0.005)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.005)
GOVST	0.012	0.039	0.020**	0.005	0.007**	0.004	0.003	-0.011
	(0.009)	(0.026)	(0.009)	(0.005)	(0.003)	(0.005)	(0.013)	(0.019)
R^2	0.020							
Pseudo R^2		0.067	0.052	0.011	0.008	0.011	0.039	0.056
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. GOVST represents lagged government stability and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 14: Regression results of socioeconomic conditions indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.033	-0.522***	-0.263**	-0.048*	0.000	0.014	0.141	-0.011
	(0.104)	(0.178)	(0.102)	(0.027)	(0.019)	(0.040)	(0.098)	(0.133)
GDPCAP	0.006	0.010	0.007**	0.002	0.001	0.003	0.007*	0.010
	(0.005)	(0.007)	(0.003)	(0.002)	(0.001)	(0.002)	(0.004)	(0.008)
TRADE	0.002*	-0.001	-0.001	-0.000	0.000	0.001*	0.003***	0.007***
	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
INFL	0.000	0.000	-0.002	-0.001	-0.000	-0.000	0.000	0.002
	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.000)	(0.002)	(0.003)
GCF	0.000	0.014***	0.009***	0.002**	0.001	-0.001	-0.006**	-0.007
	(0.002)	(0.005)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)
SOCIO	-0.021*	-0.022	-0.021	-0.016***	-0.006	0.006	0.004	0.014
	(0.012)	(0.032)	(0.013)	(0.005)	(0.005)	(0.008)	(0.013)	(0.015)
R^2	0.020							
Pseudo R^2		0.059	0.052	0.020	0.005	0.011	0.038	0.056
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. SOCIO represents lagged socioeconomic conditions and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 15: Regression results of investment profile indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.129*	-0.801***	-0.405***	-0.123***	-0.039*	0.018	0.241*	0.131
	(0.071)	(0.215)	(0.128)	(0.044)	(0.020)	(0.054)	(0.133)	(0.246)
GDPCAP	0.007	0.017**	0.010*	0.005**	0.002	0.004*	0.008*	0.009
	(0.005)	(0.008)	(0.006)	(0.002)	(0.001)	(0.003)	(0.005)	(0.008)
TRADE	0.002***	-0.005**	-0.002	0.000	0.000	0.002***	0.004***	0.007***
	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
INFL	0.000	0.002	-0.002	-0.001	-0.000	-0.000	0.000	0.001
	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.004)
GCF	-0.000	0.014***	0.009***	0.002	-0.000	-0.002	-0.007**	-0.004
	(0.003)	(0.005)	(0.003)	(0.001)	(0.001)	(0.001)	(0.003)	(0.005)
INVEST	-0.003	0.053**	0.015	0.001	0.004*	0.001	-0.012	-0.019
	(0.011)	(0.022)	(0.015)	(0.005)	(0.002)	(0.007)	(0.018)	(0.030)
R^2	0.015							
Pseudo R^2		0.092	0.048	0.010	0.005	0.010	0.040	0.062
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. INVEST represents lagged investment profile and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 16: Regression results of internal conflict indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.327***	-0.848***	-0.561***	-0.168***	-0.051**	-0.026	0.001	-0.098
	(0.089)	(0.241)	(0.115)	(0.051)	(0.023)	(0.046)	(0.093)	(0.143)
GDPCAP	0.004	0.009	0.004	0.004*	0.001	0.001	0.006	0.007
	(0.004)	(0.007)	(0.004)	(0.002)	(0.001)	(0.002)	(0.004)	(0.007)
TRADE	0.002**	-0.007**	-0.003**	-0.000	0.000	0.001	0.003***	0.006***
	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
INFL	0.000	0.000	0.000	-0.001	-0.000	-0.000	0.001	0.005
	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.001)	(0.004)
GCF	-0.001	0.018***	0.010***	0.002	0.000	-0.001	-0.006**	-0.007
	(0.003)	(0.005)	(0.002)	(0.001)	(0.001)	(0.002)	(0.003)	(0.004)
INCON	0.028**	0.057**	0.034***	0.010*	0.005*	0.009*	0.017	0.022
	(0.011)	(0.027)	(0.011)	(0.005)	(0.003)	(0.005)	(0.011)	(0.019)
R^2	0.035							
Pseudo R^2		0.101	0.064	0.015	0.006	0.013	0.045	0.059
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. INCON represents lagged internal conflict and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 17: Regression results of external conflict indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.336***	-0.742**	-0.304**	-0.077	-0.038	-0.043	0.007	-0.045
	(0.111)	(0.365)	(0.147)	(0.055)	(0.026)	(0.058)	(0.144)	(0.171)
GDPCAP	0.005	0.013**	0.009**	0.004*	0.001	0.002	0.007*	0.011
	(0.005)	(0.007)	(0.004)	(0.002)	(0.001)	(0.002)	(0.004)	(0.007)
TRADE	0.002**	-0.003	-0.002	0.000	0.000	0.001**	0.003***	0.007***
	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
INFL	0.000	0.001	-0.003**	-0.001	-0.000	-0.000	0.001	0.002
	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.004)
GCF	-0.000	0.016***	0.009***	0.002*	0.000	-0.001	-0.007**	-0.006
	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)
EXCON	0.022**	0.015	0.001	-0.004	0.003	0.008	0.014	0.010
	(0.009)	(0.038)	(0.015)	(0.006)	(0.002)	(0.006)	(0.012)	(0.017)
R^2	0.023							
Pseudo R^2		0.062	0.043	0.010	0.005	0.013	0.041	0.057
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. EXCON represents lagged external conflict and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 18: Regression results of corruption indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.234***	-0.622***	-0.247**	-0.072*	-0.010	-0.008	0.054	-0.051
	(0.083)	(0.198)	(0.100)	(0.038)	(0.018)	(0.044)	(0.111)	(0.170)
GDPCAP	0.007	0.013**	0.009**	0.003	0.001	0.004	0.009**	0.012
	(0.005)	(0.007)	(0.004)	(0.002)	(0.001)	(0.002)	(0.004)	(0.008)
TRADE	0.003***	-0.002	-0.002	0.000	0.000	0.002***	0.004***	0.007***
	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
INFL	-0.000	0.001	-0.002	-0.001	-0.000	-0.000	0.000	0.002
	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.000)	(0.002)	(0.004)
GCF	-0.001	0.017***	0.008***	0.002	0.000	-0.001	-0.005	-0.007
	(0.003)	(0.005)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)
CORR	0.026*	-0.000	-0.025	-0.014	-0.003	0.013	0.022	0.040
	(0.013)	(0.041)	(0.023)	(0.009)	(0.005)	(0.009)	(0.023)	(0.035)
R^2	0.018							
Pseudo R^2		0.058	0.044	0.011	0.005	0.013	0.039	0.059
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. CORR represents lagged corruption and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 19: Regression results of military in politics indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.160	-0.778***	-0.345***	-0.105***	-0.014	0.024	0.208**	0.169
	(0.099)	(0.181)	(0.103)	(0.034)	(0.015)	(0.034)	(0.094)	(0.126)
GDPCAP	0.006	0.016**	0.008*	0.004*	0.001	0.004	0.005	0.004
	(0.005)	(0.007)	(0.004)	(0.002)	(0.001)	(0.003)	(0.005)	(0.007)
TRADE	0.002***	-0.004	-0.002	0.000	0.000	0.002**	0.003***	0.006***
	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
INFL	0.000	0.000	-0.002	-0.001	-0.000	-0.000	0.000	0.000
	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.004)
GCF	-0.000	0.016***	0.009***	0.001	0.000	-0.002	-0.007**	-0.008*
	(0.002)	(0.004)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)
MILIT	0.005	0.081*	0.015	0.002	0.000	-0.000	-0.006	-0.009
	(0.022)	(0.041)	(0.017)	(0.007)	(0.003)	(0.009)	(0.014)	(0.020)
R^2	0.015							
Pseudo R^2		0.084	0.046	0.010	0.004	0.010	0.039	0.058
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. MILIT represents lagged military in politics and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 20: Regression results of religious tensions indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.181*	-0.631***	-0.378***	-0.129***	-0.020	0.015	0.076	0.031
	(0.092)	(0.170)	(0.089)	(0.031)	(0.022)	(0.037)	(0.099)	(0.110)
GDPCAP	0.006	0.011	0.008**	0.004	0.001*	0.003	0.007	0.004
	(0.005)	(0.007)	(0.004)	(0.003)	(0.001)	(0.002)	(0.004)	(0.008)
TRADE	0.002***	-0.002	-0.002**	0.000	0.000	0.001	0.003***	0.005***
	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
INFL	0.000	0.001	-0.003	-0.001	-0.000	-0.000	0.001	0.004
	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.004)
GCF	-0.000	0.017***	0.011***	0.002*	0.000	-0.001	-0.006*	-0.008**
	(0.002)	(0.005)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)
RELIG	0.009	0.001	0.015	0.005	0.003	0.010	0.022	0.031
	(0.017)	(0.028)	(0.014)	(0.005)	(0.004)	(0.007)	(0.014)	(0.023)
R^2	0.016							
Pseudo R^2		0.058	0.046	0.010	0.005	0.012	0.044	0.063
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. RELIG represents lagged religious tensions and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 21: Regression results of law and order indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.175**	-0.667***	-0.321***	-0.125***	-0.034*	0.022	0.181*	0.045
	(0.074)	(0.172)	(0.096)	(0.040)	(0.019)	(0.053)	(0.107)	(0.147)
GDPCAP	0.006	0.010	0.009**	0.004*	0.001	0.004	0.006	0.008
	(0.005)	(0.007)	(0.004)	(0.003)	(0.001)	(0.003)	(0.004)	(0.007)
TRADE	0.002***	-0.001	-0.002	0.000	0.000	0.002**	0.003**	0.006***
	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
INFL	0.000	0.001	-0.003*	-0.001	-0.000	-0.000	0.001	0.001
	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
GCF	-0.000	0.016***	0.009***	0.002*	-0.000	-0.002	-0.007**	-0.005
	(0.002)	(0.005)	(0.002)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
LAW	0.009	0.008	0.010	0.001	0.008*	0.002	0.002	0.007
	(0.018)	(0.028)	(0.012)	(0.007)	(0.004)	(0.014)	(0.025)	(0.025)
R^2	0.015							
Pseudo R^2		0.058	0.043	0.010	0.005	0.010	0.038	0.055
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. LAW represents lagged law and order and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 22: Regression results of ethnic tensions indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.149*	-0.495**	-0.258***	-0.090***	-0.016	0.018	0.163*	0.048
	(0.080)	(0.200)	(0.091)	(0.035)	(0.023)	(0.041)	(0.091)	(0.129)
GDPCAP	0.006	0.012	0.009**	0.005**	0.001	0.004	0.006	0.008
	(0.005)	(0.007)	(0.004)	(0.002)	(0.001)	(0.003)	(0.004)	(0.008)
TRADE	0.002***	-0.001	-0.001	-0.000	0.000	0.002**	0.003***	0.006***
	(0.001)	(0.004)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
INFL	0.000	-0.001	-0.003*	-0.001	-0.000	-0.000	0.000	0.002
	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.001)	(0.004)
GCF	-0.000	0.015***	0.008***	0.002	-0.000	-0.002	-0.007**	-0.007*
	(0.002)	(0.005)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)
ETHNIC	0.001	-0.032	-0.013	-0.005	0.002	0.001	0.007	0.019
	(0.016)	(0.043)	(0.018)	(0.008)	(0.005)	(0.010)	(0.015)	(0.016)
R^2	0.015							
Pseudo R^2		0.060	0.045	0.010	0.004	0.010	0.039	0.057
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. ETHNIC represents lagged ethnic tensions and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 23: Regression results of democratic accountability indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.209***	-0.685***	-0.406***	-0.143***	-0.036*	-0.011	0.127	0.026
	(0.047)	(0.198)	(0.095)	(0.041)	(0.019)	(0.043)	(0.122)	(0.159)
GDPCAP	0.006	0.017**	0.007	0.004**	0.001	0.002	0.006	0.006
	(0.004)	(0.007)	(0.004)	(0.002)	(0.001)	(0.002)	(0.004)	(0.007)
TRADE	0.002**	-0.003	-0.002	-0.000	0.000	0.001***	0.003***	0.006***
	(0.001)	(0.002)	(0.002)	(0.000)	(0.000)	(0.000)	(0.001)	(0.002)
INFL	0.000	0.001	-0.002	-0.001	-0.000	-0.000	0.001	0.002
	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.004)
GCF	-0.001	0.012***	0.008***	0.001	0.000	-0.002	-0.007**	-0.007
	(0.003)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
DEMOC	0.027*	0.076*	0.041**	0.014	0.006	0.014*	0.010	0.016
	(0.015)	(0.039)	(0.021)	(0.009)	(0.004)	(0.009)	(0.019)	(0.022)
R^2	0.020							
Pseudo R^2		0.077	0.052	0.014	0.006	0.014	0.039	0.057
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. DEMOC represents lagged democratic accountability and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 24: Regression results of bureaucracy quality indicator's lagged effect on bank inflows

Dependent Variable: BFGDP								
Variables	**FE**	**Quantiles**						
		5th	10th	25th	50th	75th	90th	95th
Constant	-0.139	-0.603**	-0.282***	-0.065**	-0.007	0.019	0.185**	-0.009
	(0.096)	(0.234)	(0.095)	(0.031)	(0.014)	(0.037)	(0.091)	(0.133)
GDPCAP	0.006	0.013	0.007	0.003	0.001	0.003	0.006	0.008
	(0.005)	(0.009)	(0.005)	(0.002)	(0.001)	(0.002)	(0.005)	(0.006)
TRADE	0.002**	-0.004	-0.001	0.000	0.000	0.001**	0.003***	0.007***
	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
INFL	0.000	0.000	-0.002	-0.001	-0.000	-0.001	0.000	0.002
	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.000)	(0.002)	(0.004)
GCF	-0.000	0.017***	0.009***	0.002	0.000	-0.002	-0.007**	-0.007*
	(0.002)	(0.005)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)
BUR	-0.004	0.059	-0.037	-0.026**	-0.010	0.007	0.000	0.031
	(0.030)	(0.071)	(0.032)	(0.012)	(0.007)	(0.015)	(0.020)	(0.033)
R^2	0.015							
Pseudo R^2		0.062	0.048	0.017	0.006	0.011	0.038	0.056
Observations	672							

Notes: BFGDP is the dependent variable and is the aggregate lending flows as a percentage of GDP. GDPCAP, TRADE, INFL and GCF respectively denote the lagged GDP per capita growth rate, lagged trade openness as a percentage of GDP, lagged inflation rate and lagged gross fixed capital formation as a percentage of GDP. BUR represents lagged bureaucracy quality and is one of the twelve political risk indicators. *** and ** indicate statistical significance at the 1% and 5% levels, respectively. Standard errors are presented in parentheses. Standard errors for the OLS regressions are robust adjusted. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 25: Regression results of government stability indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	-0.002	0.033	0.009	0.017	0.055***	0.081***	0.069*	0.039	0.023
	(0.039)	(0.039)	(0.028)	(0.021)	(0.018)	(0.028)	(0.037)	(0.052)	(0.060)
Inflation	0.009	0.006	0.004	0.008	0.003	0.001	0.003	0.010	0.013
	(0.013)	(0.013)	(0.009)	(0.005)	(0.005)	(0.005)	(0.009)	(0.015)	(0.016)
Trade openness	0.032**	0.029**	0.004	0.009*	0.015***	0.019***	0.029***	0.047***	0.066***
	(0.016)	(0.011)	(0.008)	(0.005)	(0.005)	(0.005)	(0.009)	(0.016)	(0.022)
Gross capital formation	0.147***	0.103***	-0.013	-0.015	-0.004	0.004	0.062*	0.144**	0.170*
	(0.031)	(0.027)	(0.021)	(0.014)	(0.011)	(0.015)	(0.034)	(0.061)	(0.096)
US GDP per capita growth	-0.039	-0.143	-0.163*	-0.153**	-0.125*	-0.181*	-0.162	0.010	-0.361
	(0.143)	(0.143)	(0.095)	(0.063)	(0.064)	(0.104)	(0.187)	(0.348)	(0.500)
US central bank policy rate	-0.051	-0.013	0.061	0.082	0.067	0.077	0.091	-0.572*	-0.250
	(0.133)	(0.136)	(0.086)	(0.070)	(0.062)	(0.083)	(0.153)	(0.327)	(0.407)
US volatility VIX	-0.053	-0.029	-0.057	-0.022	-0.042**	-0.032	-0.041	-0.097	-0.078
	(0.048)	(0.048)	(0.035)	(0.022)	(0.021)	(0.036)	(0.047)	(0.103)	(0.168)
US policy uncertainty	-0.009	-0.014	0.005	0.001	-0.000	-0.002	-0.002	-0.030*	-0.022
	(0.012)	(0.012)	(0.009)	(0.006)	(0.005)	(0.006)	(0.010)	(0.015)	(0.028)
US commodity price	-0.225	-0.140	-0.039	0.002	0.025	0.052	0.015	-0.132	-0.322
	(0.192)	(0.196)	(0.253)	(0.135)	(0.073)	(0.088)	(0.162)	(0.323)	(0.565)
Natural resources	0.003	0.036	0.073*	0.064**	0.032	0.056	0.057	0.010	0.002
	(0.053)	(0.053)	(0.042)	(0.026)	(0.027)	(0.035)	(0.046)	(0.090)	(0.107)
Financial openness	0.108	0.203	-0.004	-0.041	0.069	0.258***	0.202	0.297	0.321
	(0.243)	(0.184)	(0.107)	(0.082)	(0.090)	(0.085)	(0.137)	(0.292)	(0.319)
Schooling	0.228	-0.285*	-0.252***	-0.206***	-0.185***	-0.167***	-0.315**	-0.590***	-0.685***
	(0.222)	(0.145)	(0.066)	(0.048)	(0.039)	(0.061)	(0.124)	(0.182)	(0.210)
Aid flows	-12.470**	2.787	1.865	2.186	1.546	0.821	1.221	7.616	21.224
	(4.969)	(3.739)	(2.041)	(1.658)	(1.244)	(1.415)	(3.943)	(7.992)	(14.517)
External debt	-0.153	-0.612	-0.236	-0.487*	-0.315	-0.167	-0.128	-0.072	0.071
	(0.653)	(0.610)	(0.412)	(0.261)	(0.297)	(0.324)	(0.528)	(0.696)	(1.113)
Infrastructure	-0.197	-0.223**	-0.018	0.020	0.042	-0.035	-0.028	-0.032	0.114
	(0.132)	(0.092)	(0.049)	(0.041)	(0.032)	(0.043)	(0.063)	(0.135)	(0.170)
Population growth	-0.638*	-0.170	-0.209	-0.108	0.061	0.108	0.315	-0.322	-0.014
	(0.343)	(0.318)	(0.191)	(0.156)	(0.137)	(0.152)	(0.254)	(0.499)	(0.801)
Net foreign assets	0.000	0.000	0.000	-0.000	-0.000	-0.000	-0.000	-0.001	0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.728	-1.395**	-0.847**	-0.366	-0.511*	-0.388	-1.218*	-1.886	-1.949
	(0.675)	(0.623)	(0.413)	(0.278)	(0.267)	(0.348)	(0.658)	(1.200)	(1.476)
Financial crisis dummy	1.437**	1.611**	0.471	0.467*	0.481	0.879	1.951*	5.997*	7.158*
	(0.663)	(0.671)	(0.386)	(0.258)	(0.403)	(0.701)	(1.060)	(3.473)	(3.953)
Landlocked dummy	-	-0.731	-0.146	-0.198	-0.064	-0.535**	-0.470	-0.618	-1.452
		(0.644)	(0.258)	(0.165)	(0.209)	(0.218)	(0.516)	(0.810)	(1.220)
Legal origin dummy	-	-0.389	0.162	0.081	0.052	0.399	0.113	-0.988	-1.611*
		(0.622)	(0.372)	(0.211)	(0.242)	(0.290)	(0.394)	(0.824)	(0.971)
Quantitative easing dummy	2.445***	3.349***	1.311**	0.994***	0.860**	1.337***	1.917**	6.140**	6.931*
	(0.843)	(0.824)	(0.569)	(0.357)	(0.360)	(0.409)	(0.861)	(2.478)	(4.169)
Exchange rate regime	0.070	0.096	0.061**	0.058***	0.038	0.010	0.033	0.108	0.198*
	(0.092)	(0.061)	(0.030)	(0.021)	(0.023)	(0.029)	(0.039)	(0.087)	(0.119)
Government stability	0.385***	0.557***	0.401***	0.298***	0.281***	0.325***	0.453***	0.658***	0.696***
	(0.114)	(0.108)	(0.136)	(0.079)	(0.047)	(0.061)	(0.100)	(0.187)	(0.246)
Constant	1.233	4.600	2.530	0.540	1.435	1.254	3.671	10.189	7.362
	(3.940)	(3.675)	(2.094)	(1.503)	(1.510)	(2.098)	(4.067)	(7.022)	(8.729)
R-squared	0.255								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 26: Regression results of socioeconomic conditions indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.041	0.036	0.054***	0.060***	0.065**	0.108**	0.068	0.131*
	(0.040)	(0.040)	(0.028)	(0.018)	(0.017)	(0.029)	(0.047)	(0.052)	(0.067)
Inflation	0.001	-0.006	-0.002	-0.006	-0.005	-0.012*	-0.002	0.004	-0.005
	(0.013)	(0.013)	(0.009)	(0.005)	(0.006)	(0.007)	(0.012)	(0.014)	(0.021)
Trade openness	0.042***	0.036***	0.003	0.008*	0.015***	0.021***	0.045***	0.063***	0.083***
	(0.016)	(0.012)	(0.010)	(0.005)	(0.005)	(0.005)	(0.008)	(0.021)	(0.029)
Gross capital formation	0.157***	0.133***	0.003	0.001	0.006	0.041**	0.080**	0.159***	0.196**
	(0.031)	(0.028)	(0.024)	(0.015)	(0.014)	(0.018)	(0.036)	(0.057)	(0.078)
US GDP per capita growth	0.098	0.050	-0.031	-0.048	-0.064	-0.107	0.103	0.223	0.363
	(0.138)	(0.140)	(0.079)	(0.060)	(0.069)	(0.110)	(0.199)	(0.346)	(0.479)
US central bank policy rate	-0.040	-0.019	0.069	0.060	0.022	0.080	0.031	-0.253	-0.643
	(0.136)	(0.139)	(0.091)	(0.063)	(0.061)	(0.090)	(0.178)	(0.305)	(0.493)
US volatility VIX	0.019	0.065	0.061**	0.040*	0.025	0.042	0.056	-0.031	-0.005
	(0.044)	(0.044)	(0.027)	(0.021)	(0.023)	(0.030)	(0.050)	(0.096)	(0.154)
US policy uncertainty	-0.012	-0.020*	-0.009	-0.004	-0.009	-0.005	-0.003	-0.020	-0.048
	(0.012)	(0.012)	(0.010)	(0.005)	(0.006)	(0.007)	(0.012)	(0.017)	(0.033)
US commodity price	-0.271	-0.179	-0.038	0.048	0.019	0.062	-0.144	-0.280	-0.335
	(0.195)	(0.199)	(0.224)	(0.083)	(0.066)	(0.101)	(0.226)	(0.333)	(0.665)
Natural resources	0.004	0.039	0.046	0.039	0.040	0.096**	0.055	0.026	-0.007
	(0.053)	(0.054)	(0.047)	(0.024)	(0.029)	(0.038)	(0.046)	(0.073)	(0.136)
Financial openness	0.097	0.227	-0.244**	-0.041	0.103	0.266**	0.326*	0.461	0.693**
	(0.246)	(0.197)	(0.121)	(0.100)	(0.091)	(0.103)	(0.171)	(0.292)	(0.304)
Schooling	0.276	-0.283*	-0.227***	-0.213***	-0.183***	-0.247***	-0.345***	-0.711***	-0.659***
	(0.227)	(0.159)	(0.074)	(0.053)	(0.044)	(0.073)	(0.098)	(0.178)	(0.226)
Aid flows	-15.372**	0.302	3.386	2.580	1.390	-0.227	-0.132	6.792	15.308
	(4.963)	(3.984)	(2.117)	(1.675)	(1.470)	(1.544)	(3.445)	(9.920)	(18.213)
External debt	-0.465	-0.912	-0.966*	-0.416	-0.267	-0.179	-0.373	-1.182	-0.554
	(0.663)	(0.625)	(0.523)	(0.339)	(0.320)	(0.361)	(0.520)	(0.825)	(1.461)
Infrastructure	-0.136	-0.162	0.010	0.054	0.059*	-0.007	-0.008	0.050	0.148
	(0.132)	(0.100)	(0.050)	(0.033)	(0.033)	(0.046)	(0.081)	(0.145)	(0.156)
Population growth	-0.649*	-0.198	-0.166	-0.089	0.063	0.151	0.487	-0.056	-0.132
	(0.347)	(0.327)	(0.192)	(0.139)	(0.091)	(0.185)	(0.341)	(0.629)	(0.885)
Net foreign assets	0.000	0.000	0.000	-0.000	0.000	-0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.728	-1.414**	-0.711	-0.395	-0.402	-0.376	-0.906	-1.281	-2.212
	(0.682)	(0.642)	(0.464)	(0.305)	(0.319)	(0.311)	(0.631)	(1.237)	(1.674)
Financial crisis dummy	1.152*	1.276*	-0.009	0.157	0.275	0.363	2.112*	6.122*	7.511*
	(0.668)	(0.676)	(0.397)	(0.351)	(0.361)	(0.700)	(1.197)	(3.430)	(4.223)
Landlocked dummy	-	-0.894	-0.604*	-0.349*	-0.165	-0.496*	-0.645	-1.304*	-1.808
		(0.741)	(0.331)	(0.199)	(0.225)	(0.278)	(0.486)	(0.724)	(1.209)
Legal origin dummy	-	-0.368	0.260	0.095	0.023	0.646**	0.363	-0.483	-2.001*
		(0.713)	(0.300)	(0.203)	(0.211)	(0.276)	(0.473)	(0.811)	(1.072)
Quantitative easing dummy	2.016**	2.689***	1.145**	0.939***	1.053***	0.942*	0.680	4.319**	8.346*
	(0.844)	(0.843)	(0.528)	(0.359)	(0.366)	(0.566)	(1.027)	(2.182)	(4.551)
Exchange rate regime	0.091	0.100	0.054*	0.049**	0.022	0.018	0.065	0.066	0.224
	(0.093)	(0.066)	(0.030)	(0.023)	(0.023)	(0.029)	(0.047)	(0.095)	(0.137)
Socioeconomic conditions	0.006	-0.241*	-0.068	-0.062	-0.021	-0.088	-0.183*	-0.426**	-0.640***
	(0.160)	(0.143)	(0.096)	(0.065)	(0.055)	(0.074)	(0.099)	(0.168)	(0.235)
Constant	2.377	8.206**	4.201	2.289	2.727	2.365	3.155	11.555	17.179*
	(4.057)	(3.788)	(2.748)	(1.774)	(1.750)	(2.008)	(3.699)	(8.275)	(10.367)
R-squared	0.240								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 27: Regression results of investment profile indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.043	0.027	0.037*	0.064***	0.063**	0.076**	0.036	0.047
	(0.040)	(0.040)	(0.027)	(0.021)	(0.020)	(0.027)	(0.036)	(0.053)	(0.051)
Inflation	0.002	-0.004	0.006	-0.000	-0.002	-0.009	-0.007	-0.008	0.008
	(0.013)	(0.013)	(0.012)	(0.005)	(0.005)	(0.007)	(0.011)	(0.014)	(0.017)
Trade openness	0.042***	0.036***	0.004	0.009*	0.016***	0.019***	0.037***	0.060***	0.072***
	(0.016)	(0.012)	(0.012)	(0.005)	(0.004)	(0.006)	(0.009)	(0.019)	(0.024)
Gross capital formation	0.156***	0.120***	-0.023	-0.006	0.001	0.030*	0.062*	0.155**	0.225***
	(0.031)	(0.028)	(0.024)	(0.012)	(0.013)	(0.018)	(0.036)	(0.072)	(0.068)
US GDP per capita growth	0.095	0.023	-0.054	-0.050	-0.072	-0.168	0.018	0.080	0.009
	(0.139)	(0.141)	(0.095)	(0.065)	(0.082)	(0.103)	(0.165)	(0.427)	(0.586)
US central bank policy rate	-0.041	0.006	0.094	0.063	0.042	0.094	0.059	-0.240	-0.302
	(0.135)	(0.138)	(0.083)	(0.068)	(0.068)	(0.085)	(0.137)	(0.328)	(0.518)
US volatility VIX	0.017	0.073	0.044	0.041*	0.022	0.044	0.037	0.097	-0.001
	(0.044)	(0.044)	(0.032)	(0.023)	(0.021)	(0.029)	(0.051)	(0.100)	(0.176)
US policy uncertainty	-0.012	-0.020*	-0.007	-0.007	-0.008	-0.007	-0.006	-0.039*	-0.034
	(0.012)	(0.012)	(0.009)	(0.005)	(0.005)	(0.007)	(0.012)	(0.021)	(0.035)
US commodity price	-0.266	-0.177	0.018	0.142	0.043	0.093	-0.021	-0.031	-0.555
	(0.195)	(0.200)	(0.212)	(0.099)	(0.063)	(0.094)	(0.213)	(0.344)	(0.741)
Natural resources	0.004	0.046	0.061	0.039	0.041	0.082**	0.102***	0.039	0.092
	(0.053)	(0.054)	(0.057)	(0.032)	(0.031)	(0.040)	(0.039)	(0.087)	(0.136)
Financial openness	0.097	0.210	-0.158	-0.044	0.104	0.224**	0.235	0.440	0.315
	(0.246)	(0.197)	(0.117)	(0.096)	(0.099)	(0.092)	(0.155)	(0.315)	(0.280)
Schooling	0.270	-0.295*	-0.244***	-0.193***	-0.175***	-0.251***	-0.396***	-0.534***	-0.857***
	(0.225)	(0.158)	(0.091)	(0.068)	(0.046)	(0.068)	(0.114)	(0.169)	(0.232)
Aid flows	-15.222**	0.440	1.657	1.595	0.697	0.125	-1.190	10.975	12.710
	(4.994)	(3.971)	(2.399)	(2.061)	(1.451)	(1.628)	(2.996)	(7.423)	(12.941)
External debt	-0.443	-0.917	-0.935*	-0.299	-0.127	-0.010	-0.075	0.038	-0.534
	(0.659)	(0.632)	(0.526)	(0.421)	(0.293)	(0.318)	(0.495)	(0.995)	(1.320)
Infrastructure	-0.138	-0.205**	-0.011	0.035	0.033	-0.011	-0.053	0.035	0.116
	(0.132)	(0.098)	(0.046)	(0.034)	(0.033)	(0.048)	(0.086)	(0.149)	(0.163)
Population growth	-0.645*	-0.166	-0.172	-0.024	0.032	0.139	0.305	-0.142	-0.367
	(0.347)	(0.327)	(0.245)	(0.168)	(0.118)	(0.169)	(0.332)	(0.617)	(0.763)
Net foreign assets	0.000	-0.000	-0.000	-0.000	0.000	-0.000	-0.001**	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.726	-1.420**	-0.704	-0.228	-0.472	-0.467	-0.940*	-1.489	-2.757
	(0.681)	(0.643)	(0.441)	(0.315)	(0.363)	(0.336)	(0.526)	(1.421)	(1.705)
Financial crisis dummy	1.165*	1.268*	-0.155	0.130	0.304	0.398	2.588**	4.377	7.207
	(0.667)	(0.678)	(0.380)	(0.376)	(0.322)	(0.682)	(1.275)	(3.697)	(4.378)
Landlocked dummy	-	-0.944	-0.383	-0.179	-0.179	-0.560**	-0.556	-1.200	-1.266
		(0.731)	(0.427)	(0.263)	(0.183)	(0.259)	(0.462)	(0.741)	(1.113)
Legal origin dummy	-	-0.296	0.044	-0.013	0.047	0.716**	0.518	-0.028	-2.426**
		(0.703)	(0.315)	(0.211)	(0.190)	(0.299)	(0.335)	(0.895)	(1.149)
Quantitative easing dummy	2.029**	2.956***	1.129*	1.143***	1.074***	1.304**	1.540*	6.210**	7.985*
	(0.845)	(0.838)	(0.602)	(0.371)	(0.366)	(0.540)	(0.882)	(2.715)	(4.497)
Exchange rate regime	0.091	0.102	0.060	0.047*	0.023	0.006	0.048	0.092	0.350**
	(0.093)	(0.066)	(0.036)	(0.024)	(0.023)	(0.031)	(0.046)	(0.111)	(0.141)
Investment profile	0.023	0.130	0.147	0.067	0.089*	0.105	0.222**	0.100	0.173
	(0.119)	(0.115)	(0.102)	(0.061)	(0.054)	(0.065)	(0.091)	(0.162)	(0.204)
Constant	2.304	6.509*	3.635	0.922	2.420	2.256	3.058	7.991	15.637
	(4.003)	(3.807)	(2.819)	(1.795)	(1.840)	(1.854)	(3.286)	(8.833)	(11.233)
R-squared	0.240								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 28:Regression results of internal conflict indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	-0.005	0.046	0.020	0.049***	0.060***	0.068**	0.042	0.010	0.030
	(0.040)	(0.040)	(0.026)	(0.018)	(0.021)	(0.029)	(0.050)	(0.048)	(0.072)
Inflation	0.003	-0.004	0.004	0.003	-0.004	-0.004	-0.004	-0.003	0.007
	(0.013)	(0.013)	(0.011)	(0.006)	(0.006)	(0.007)	(0.011)	(0.015)	(0.020)
Trade openness	0.037**	0.026**	-0.005	0.006	0.011**	0.018***	0.028***	0.051***	0.064**
	(0.016)	(0.011)	(0.009)	(0.005)	(0.005)	(0.006)	(0.009)	(0.018)	(0.028)
Gross capital formation	0.151***	0.111***	-0.010	-0.012	0.010	0.035**	0.080**	0.159***	0.211**
	(0.031)	(0.026)	(0.022)	(0.014)	(0.011)	(0.016)	(0.031)	(0.057)	(0.083)
US GDP per capita growth	0.077	-0.001	-0.065	-0.037	-0.086	-0.139	-0.009	0.001	-0.029
	(0.138)	(0.142)	(0.079)	(0.057)	(0.072)	(0.106)	(0.208)	(0.377)	(0.559)
US central bank policy rate	-0.055	-0.002	0.073	0.042	0.042	0.066	-0.026	-0.193	-0.249
	(0.134)	(0.140)	(0.097)	(0.056)	(0.064)	(0.082)	(0.179)	(0.304)	(0.495)
US volatility VIX	0.021	0.098**	0.060***	0.043**	0.030*	0.059**	0.076*	0.112	0.094
	(0.043)	(0.043)	(0.023)	(0.021)	(0.018)	(0.027)	(0.040)	(0.106)	(0.169)
US policy uncertainty	-0.011	-0.021*	-0.012	-0.007	-0.008	-0.006	-0.014	-0.036**	-0.041
	(0.012)	(0.012)	(0.012)	(0.004)	(0.005)	(0.007)	(0.012)	(0.018)	(0.033)
US commodity price	-0.279	-0.204	0.103	0.086	-0.018	0.068	-0.171	-0.239	-0.697
	(0.193)	(0.201)	(0.191)	(0.073)	(0.066)	(0.101)	(0.230)	(0.383)	(0.611)
Natural resources	0.001	0.050	0.047	0.053*	0.046	0.086***	0.084**	0.041	0.005
	(0.053)	(0.054)	(0.041)	(0.028)	(0.028)	(0.031)	(0.040)	(0.090)	(0.140)
Financial openness	0.121	0.232	-0.134	-0.069	0.083	0.238**	0.284*	0.563**	0.495
	(0.245)	(0.177)	(0.108)	(0.090)	(0.105)	(0.110)	(0.159)	(0.281)	(0.402)
Schooling	0.306	-0.348**	-0.216***	-0.199***	-0.205***	-0.249***	-0.310***	-0.575***	-0.835***
	(0.224)	(0.137)	(0.069)	(0.044)	(0.052)	(0.064)	(0.118)	(0.179)	(0.231)
Aid flows	-13.915**	4.385	3.545	2.497	1.154	0.275	-1.274	11.363	17.021
	(5.001)	(3.612)	(2.446)	(1.712)	(1.507)	(1.959)	(3.306)	(8.059)	(13.629)
External debt	-0.464	-1.102*	-1.003**	-0.664*	-0.147	-0.295	-0.190	-0.240	-0.703
	(0.651)	(0.605)	(0.394)	(0.373)	(0.294)	(0.321)	(0.536)	(1.015)	(1.375)
Infrastructure	-0.151	-0.190**	-0.016	0.026	0.046	-0.034	-0.140*	0.035	0.070
	(0.132)	(0.089)	(0.041)	(0.031)	(0.030)	(0.054)	(0.081)	(0.142)	(0.210)
Population growth	-0.698**	-0.134	-0.213	-0.147	0.042	0.093	-0.038	-0.392	-0.704
	(0.347)	(0.323)	(0.235)	(0.151)	(0.102)	(0.176)	(0.308)	(0.610)	(0.888)
Net foreign assets	0.000	-0.000	-0.000	-0.000	0.000	-0.000	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.752	-1.502**	-0.828**	-0.560**	-0.303	-0.420	-0.750*	-1.745	-2.543
	(0.680)	(0.625)	(0.420)	(0.281)	(0.305)	(0.369)	(0.450)	(1.257)	(1.804)
Financial crisis dummy	1.013	1.017	-0.214	0.099	0.197	-0.022	1.487	3.623	6.252
	(0.668)	(0.684)	(0.427)	(0.332)	(0.344)	(0.565)	(1.188)	(2.980)	(4.269)
Landlocked dummy	-	-1.172**	-0.635	-0.409**	-0.303	-0.622**	-0.558	-1.182	-1.828
		(0.578)	(0.405)	(0.206)	(0.197)	(0.279)	(0.467)	(0.741)	(1.299)
Legal origin dummy	-	-0.338	0.180	0.002	0.100	0.629*	0.545	0.220	-2.194**
		(0.566)	(0.271)	(0.208)	(0.203)	(0.329)	(0.485)	(0.749)	(1.008)
Quantitative easing dummy	2.152**	3.231***	1.361**	1.232***	1.088***	1.095**	1.955*	6.353**	8.599
	(0.843)	(0.839)	(0.574)	(0.351)	(0.346)	(0.482)	(1.038)	(2.711)	(5.226)
Exchange rate regime	0.089	0.111*	0.043	0.045*	0.023	0.009	0.057	0.053	0.296**
	(0.092)	(0.057)	(0.030)	(0.025)	(0.023)	(0.035)	(0.053)	(0.087)	(0.136)
Internal conflict	0.176*	0.254***	0.103**	0.081**	0.086**	0.106**	0.268***	0.181	0.195
	(0.101)	(0.096)	(0.045)	(0.032)	(0.033)	(0.044)	(0.076)	(0.144)	(0.204)
Constant	1.353	5.940	4.995*	2.995*	1.530	1.804	2.582	9.714	15.354
	(4.000)	(3.702)	(2.555)	(1.655)	(1.615)	(2.265)	(2.986)	(7.576)	(10.176)
R-squared	0.244								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 29:Regression results of external conflict indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	-0.000	0.039	0.041	0.053***	0.062***	0.070**	0.094**	0.036	0.052
	(0.040)	(0.040)	(0.025)	(0.018)	(0.021)	(0.027)	(0.044)	(0.056)	(0.065)
Inflation	0.001	-0.006	-0.000	-0.000	-0.005	-0.010	-0.012	-0.003	0.007
	(0.013)	(0.013)	(0.010)	(0.006)	(0.005)	(0.007)	(0.010)	(0.016)	(0.017)
Trade openness	0.040**	0.031**	0.004	0.008	0.013***	0.020***	0.033***	0.057***	0.068**
	(0.016)	(0.012)	(0.010)	(0.005)	(0.004)	(0.005)	(0.008)	(0.020)	(0.028)
Gross capital formation	0.155***	0.123***	-0.005	-0.006	0.005	0.036**	0.073**	0.162***	0.208***
	(0.031)	(0.028)	(0.022)	(0.013)	(0.011)	(0.017)	(0.031)	(0.055)	(0.073)
US GDP per capita growth	0.080	-0.004	-0.051	-0.053	-0.091	-0.124	0.008	-0.012	0.225
	(0.140)	(0.142)	(0.082)	(0.061)	(0.068)	(0.116)	(0.189)	(0.367)	(0.621)
US central bank policy rate	-0.057	-0.027	0.108	0.052	0.024	0.068	-0.030	-0.135	-0.408
	(0.136)	(0.139)	(0.083)	(0.067)	(0.060)	(0.085)	(0.172)	(0.335)	(0.556)
US volatility VIX	0.020	0.083*	0.067***	0.046**	0.029	0.058**	0.058	0.100	0.078
	(0.043)	(0.043)	(0.021)	(0.021)	(0.019)	(0.029)	(0.043)	(0.106)	(0.185)
US policy uncertainty	-0.013	-0.022*	-0.011	-0.007	-0.010**	-0.007	-0.011	-0.035*	-0.038
	(0.012)	(0.012)	(0.010)	(0.006)	(0.005)	(0.007)	(0.009)	(0.019)	(0.039)
US commodity price	-0.269	-0.202	0.044	0.065	0.001	0.054	-0.065	-0.168	-0.826
	(0.194)	(0.198)	(0.203)	(0.084)	(0.065)	(0.096)	(0.207)	(0.302)	(0.816)
Natural resources	0.003	0.043	0.043	0.048*	0.049*	0.098***	0.070	0.039	-0.046
	(0.053)	(0.054)	(0.042)	(0.026)	(0.027)	(0.032)	(0.052)	(0.105)	(0.151)
Financial openness	0.082	0.216	-0.204	-0.045	0.095	0.249**	0.340*	0.504	0.475
	(0.246)	(0.197)	(0.124)	(0.091)	(0.105)	(0.097)	(0.188)	(0.310)	(0.379)
Schooling	0.275	-0.265*	-0.226***	-0.199***	-0.174***	-0.248***	-0.309***	-0.573***	-0.805***
	(0.224)	(0.159)	(0.080)	(0.049)	(0.041)	(0.064)	(0.114)	(0.164)	(0.234)
Aid flows	-14.519**	0.908	3.492	2.294	1.604	0.193	-0.682	12.533*	17.444
	(5.069)	(3.998)	(2.559)	(1.845)	(1.384)	(1.485)	(3.225)	(6.770)	(18.695)
External debt	-0.487	-1.031*	-1.044**	-0.585	-0.237	-0.209	0.097	-0.076	-0.833
	(0.654)	(0.620)	(0.497)	(0.399)	(0.318)	(0.310)	(0.539)	(0.919)	(1.404)
Infrastructure	-0.137	-0.208**	0.001	0.039	0.052	-0.011	-0.095	0.074	0.071
	(0.132)	(0.098)	(0.050)	(0.038)	(0.036)	(0.050)	(0.088)	(0.126)	(0.207)
Population growth	-0.673*	-0.230	-0.130	-0.100	0.061	0.180	0.160	-0.290	-0.583
	(0.348)	(0.328)	(0.219)	(0.185)	(0.125)	(0.178)	(0.311)	(0.547)	(0.998)
Net foreign assets	0.000	0.000	0.000	0.000	0.000	-0.000	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.728	-1.407**	-0.669	-0.504	-0.438	-0.484	-0.539	-1.241	-1.876
	(0.681)	(0.642)	(0.414)	(0.314)	(0.324)	(0.334)	(0.545)	(1.540)	(1.799)
Financial crisis dummy	1.110*	1.118*	-0.034	0.124	0.255	0.253	1.950	3.409	5.855
	(0.667)	(0.676)	(0.368)	(0.373)	(0.313)	(0.534)	(1.188)	(3.355)	(4.042)
Landlocked dummy	-	-0.932	-0.583	-0.379*	-0.226	-0.650***	-0.651	-1.144	-1.872
		(0.737)	(0.412)	(0.229)	(0.227)	(0.226)	(0.470)	(0.715)	(1.516)
Legal origin dummy	-	-0.280	0.215	0.016	0.040	0.652**	0.743*	-0.004	-2.156*
		(0.708)	(0.280)	(0.212)	(0.211)	(0.322)	(0.387)	(0.808)	(1.122)
Quantitative easing dummy	2.128**	3.136***	1.286**	1.168***	1.186***	1.205**	1.823**	5.874**	8.794*
	(0.856)	(0.846)	(0.543)	(0.412)	(0.336)	(0.524)	(0.883)	(2.624)	(4.547)
Exchange rate regime	0.095	0.096	0.055**	0.042**	0.022	0.009	0.048	0.072	0.334**
	(0.093)	(0.066)	(0.027)	(0.021)	(0.021)	(0.030)	(0.052)	(0.089)	(0.152)
External conflict	0.102	0.223*	-0.005	0.039	0.054	-0.000	0.272**	0.125	0.201
	(0.137)	(0.129)	(0.082)	(0.050)	(0.049)	(0.066)	(0.122)	(0.172)	(0.286)
Constant	1.662	5.548	3.999	2.619	2.409	2.575	0.325	6.779	10.537
	(4.088)	(3.870)	(2.663)	(2.001)	(1.872)	(2.110)	(3.617)	(9.789)	(10.614)
R-squared	0.241								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 30: Regression results of corruption indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.059	0.042*	0.052**	0.064***	0.072**	0.095**	0.054	0.065
	(0.040)	(0.040)	(0.025)	(0.021)	(0.020)	(0.028)	(0.045)	(0.059)	(0.068)
Inflation	0.001	-0.008	0.002	-0.001	-0.005	-0.012*	-0.004	0.004	0.007
	(0.013)	(0.013)	(0.013)	(0.005)	(0.006)	(0.006)	(0.012)	(0.014)	(0.018)
Trade openness	0.042***	0.036***	0.005	0.012**	0.015***	0.018***	0.042***	0.067***	0.081***
	(0.016)	(0.011)	(0.009)	(0.005)	(0.005)	(0.005)	(0.009)	(0.017)	(0.026)
Gross capital formation	0.157***	0.114***	-0.010	-0.010	0.008	0.033*	0.093***	0.172***	0.185**
	(0.031)	(0.026)	(0.021)	(0.013)	(0.011)	(0.018)	(0.033)	(0.055)	(0.072)
US GDP per capita growth	0.098	0.036	-0.072	-0.029	-0.061	-0.059	-0.022	0.123	0.198
	(0.138)	(0.143)	(0.084)	(0.064)	(0.076)	(0.116)	(0.198)	(0.339)	(0.505)
US central bank policy rate	-0.040	0.005	0.125	0.062	0.035	0.073	0.073	-0.149	-0.393
	(0.135)	(0.141)	(0.083)	(0.073)	(0.070)	(0.087)	(0.180)	(0.273)	(0.395)
US volatility VIX	0.019	0.092**	0.064***	0.045**	0.028	0.043	0.067	0.049	0.023
	(0.044)	(0.044)	(0.025)	(0.019)	(0.022)	(0.030)	(0.045)	(0.095)	(0.186)
US policy uncertainty	-0.012	-0.021*	-0.012	-0.006	-0.007	-0.004	-0.004	-0.020	-0.020
	(0.012)	(0.012)	(0.010)	(0.006)	(0.005)	(0.007)	(0.011)	(0.019)	(0.030)
US commodity price	-0.271	-0.175	0.051	0.060	0.013	0.033	-0.099	-0.274	0.019
	(0.194)	(0.203)	(0.143)	(0.083)	(0.071)	(0.086)	(0.225)	(0.323)	(0.573)
Natural resources	0.004	0.048	0.069	0.046	0.047*	0.096***	0.064	0.043	-0.126
	(0.053)	(0.054)	(0.047)	(0.030)	(0.029)	(0.028)	(0.041)	(0.102)	(0.146)
Financial openness	0.096	0.222	-0.137	0.036	0.123	0.256***	0.283	0.374	0.627*
	(0.246)	(0.175)	(0.125)	(0.098)	(0.093)	(0.090)	(0.180)	(0.247)	(0.343)
Schooling	0.275	-0.349**	-0.235***	-0.234***	-0.180***	-0.215***	-0.323***	-0.697***	-0.690***
	(0.224)	(0.136)	(0.086)	(0.051)	(0.042)	(0.058)	(0.108)	(0.160)	(0.226)
Aid flows	-15.404**	5.429	2.888	1.938	0.515	0.549	-0.077	15.723**	18.686
	(5.041)	(3.649)	(2.219)	(1.719)	(1.455)	(1.728)	(4.204)	(7.207)	(14.310)
External debt	-0.466	-1.172*	-1.071***	-0.632*	-0.273	-0.149	-0.386	-1.137	-0.817
	(0.661)	(0.606)	(0.381)	(0.362)	(0.299)	(0.356)	(0.458)	(0.889)	(1.077)
Infrastructure	-0.135	-0.145*	-0.024	0.038	0.043	-0.004	-0.000	0.131	0.272*
	(0.133)	(0.088)	(0.046)	(0.034)	(0.033)	(0.047)	(0.085)	(0.132)	(0.164)
Population growth	-0.654*	0.047	-0.142	-0.047	0.089	0.169	0.619	0.206	0.626
	(0.360)	(0.323)	(0.230)	(0.139)	(0.123)	(0.175)	(0.380)	(0.578)	(0.824)
Net foreign assets	0.000	-0.000	-0.000	-0.000	0.000	-0.000	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.729	-1.685***	-0.696	-0.374	-0.320	-0.403	-0.977*	-1.333	-1.943
	(0.683)	(0.624)	(0.511)	(0.364)	(0.314)	(0.339)	(0.583)	(1.437)	(1.541)
Financial crisis dummy	1.153*	1.204*	-0.065	0.272	0.304	0.554	1.499	3.988	5.501
	(0.666)	(0.686)	(0.359)	(0.374)	(0.338)	(0.603)	(1.203)	(3.292)	(4.410)
Landlocked dummy	-	-1.201**	-0.492*	-0.294	-0.071	-0.578**	-0.697	-1.596**	-2.280*
		(0.566)	(0.281)	(0.208)	(0.237)	(0.284)	(0.509)	(0.701)	(1.288)
Legal origin dummy	-	-0.321	0.226	-0.000	-0.019	0.561**	0.452	-0.953	-1.417
		(0.555)	(0.235)	(0.219)	(0.201)	(0.266)	(0.385)	(0.793)	(0.984)
Quantitative easing dummy	2.014**	3.023***	1.444**	1.127***	0.987***	0.963*	0.838	3.798	8.629**
	(0.842)	(0.844)	(0.577)	(0.409)	(0.341)	(0.521)	(1.160)	(2.606)	(4.366)
Exchange rate regime	0.091	0.122**	0.041*	0.057**	0.028	0.016	0.069*	0.161*	0.243*
	(0.093)	(0.057)	(0.023)	(0.025)	(0.019)	(0.030)	(0.042)	(0.094)	(0.139)
Corruption	0.012	-0.232	0.222	0.127	0.054	-0.149	-0.323**	-0.507*	-0.743**
	(0.248)	(0.201)	(0.150)	(0.094)	(0.095)	(0.116)	(0.158)	(0.265)	(0.354)
Constant	2.396	8.331**	3.986	1.843	1.829	2.452	2.972	7.620	9.555
	(3.973)	(3.658)	(2.884)	(1.935)	(1.866)	(2.005)	(3.859)	(9.268)	(9.489)
R-squared	0.240								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 31:Regression results of military in politics indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	-0.002	0.055	0.024	0.057***	0.061***	0.071**	0.071*	0.041	0.045
	(0.039)	(0.040)	(0.027)	(0.017)	(0.018)	(0.030)	(0.042)	(0.057)	(0.067)
Inflation	0.003	-0.006	0.001	-0.001	-0.006	-0.012*	-0.007	-0.003	0.007
	(0.013)	(0.013)	(0.010)	(0.005)	(0.006)	(0.006)	(0.011)	(0.016)	(0.020)
Trade openness	0.043***	0.033***	0.001	0.009*	0.015***	0.019***	0.045***	0.061***	0.067***
	(0.016)	(0.011)	(0.012)	(0.005)	(0.005)	(0.005)	(0.009)	(0.017)	(0.025)
Gross capital formation	0.143***	0.113***	-0.013	-0.006	0.005	0.036**	0.092***	0.161***	0.229***
	(0.031)	(0.027)	(0.019)	(0.012)	(0.011)	(0.018)	(0.034)	(0.055)	(0.074)
US GDP per capita growth	0.087	0.018	-0.069	-0.036	-0.071	-0.091	0.023	-0.023	0.289
	(0.137)	(0.142)	(0.077)	(0.053)	(0.076)	(0.121)	(0.180)	(0.380)	(0.493)
US central bank policy rate	-0.032	0.025	0.106	0.060	0.026	0.060	0.062	-0.155	-0.437
	(0.134)	(0.140)	(0.095)	(0.070)	(0.066)	(0.098)	(0.143)	(0.324)	(0.461)
US volatility VIX	0.029	0.101**	0.068***	0.045**	0.023	0.049	0.073*	0.104	0.028
	(0.043)	(0.044)	(0.022)	(0.019)	(0.020)	(0.030)	(0.044)	(0.101)	(0.196)
US policy uncertainty	-0.012	-0.022*	-0.014	-0.006	-0.009	-0.006	-0.005	-0.033**	-0.038
	(0.012)	(0.012)	(0.011)	(0.006)	(0.005)	(0.007)	(0.010)	(0.017)	(0.040)
US commodity price	-0.257	-0.184	0.097	0.048	0.013	0.046	-0.063	-0.130	-0.847
	(0.192)	(0.201)	(0.183)	(0.087)	(0.060)	(0.102)	(0.211)	(0.321)	(0.713)
Natural resources	-0.004	0.054	0.051	0.031	0.043	0.100***	0.074	0.045	0.013
	(0.053)	(0.054)	(0.047)	(0.029)	(0.029)	(0.034)	(0.050)	(0.078)	(0.129)
Financial openness	0.092	0.241	-0.141	-0.026	0.103	0.263***	0.330*	0.521*	0.474
	(0.244)	(0.182)	(0.105)	(0.082)	(0.093)	(0.087)	(0.189)	(0.309)	(0.346)
Schooling	0.333	-0.355**	-0.236***	-0.202***	-0.177***	-0.233***	-0.350***	-0.506***	-0.803***
	(0.223)	(0.142)	(0.077)	(0.050)	(0.043)	(0.064)	(0.110)	(0.168)	(0.223)
Aid flows	-13.812**	2.867	2.923	2.290	1.449	0.355	0.308	12.490*	13.157
	(4.935)	(3.718)	(2.548)	(1.896)	(1.625)	(1.524)	(3.702)	(7.582)	(17.456)
External debt	-0.647	-1.130*	-1.048**	-0.562	-0.277	-0.200	-0.093	-0.053	-0.646
	(0.651)	(0.610)	(0.494)	(0.387)	(0.356)	(0.291)	(0.584)	(0.931)	(1.468)
Infrastructure	-0.154	-0.209**	-0.003	0.035	0.058	-0.006	-0.040	0.077	0.055
	(0.131)	(0.093)	(0.042)	(0.036)	(0.038)	(0.041)	(0.085)	(0.147)	(0.170)
Population growth	-0.660*	-0.040	-0.054	-0.085	0.085	0.146	0.456*	-0.079	-0.174
	(0.344)	(0.323)	(0.228)	(0.158)	(0.114)	(0.187)	(0.260)	(0.609)	(0.803)
Net foreign assets	0.000	-0.000	0.000	-0.000	0.000	-0.000	-0.000	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-1.183*	-1.674***	-0.794**	-0.479	-0.399	-0.470	-0.847	-1.478	-2.417
	(0.693)	(0.631)	(0.391)	(0.339)	(0.364)	(0.350)	(0.540)	(1.508)	(1.615)
Financial crisis dummy	1.028	1.174*	-0.189	0.166	0.292	0.485	1.590	3.944	7.167*
	(0.661)	(0.681)	(0.410)	(0.353)	(0.306)	(0.680)	(1.279)	(3.225)	(3.657)
Landlocked dummy	-	-1.264**	-0.529	-0.364*	-0.147	-0.541**	-0.740*	-1.404**	-1.772
		(0.623)	(0.393)	(0.203)	(0.230)	(0.246)	(0.433)	(0.686)	(1.468)
Legal origin dummy	-	-0.528	0.008	-0.036	0.048	0.660**	0.616	-0.123	-2.545**
		(0.619)	(0.297)	(0.225)	(0.252)	(0.282)	(0.470)	(0.822)	(1.200)
Quantitative easing dummy	2.248***	3.188***	1.527**	1.131***	1.060***	1.145**	1.173	5.581**	7.891**
	(0.839)	(0.843)	(0.643)	(0.335)	(0.366)	(0.558)	(1.006)	(2.674)	(3.828)
Exchange rate regime	0.090	0.117*	0.051*	0.051***	0.025	0.008	0.071	0.096	0.357**
	(0.092)	(0.060)	(0.027)	(0.019)	(0.024)	(0.027)	(0.046)	(0.098)	(0.164)
Military in politics	0.580***	0.259*	0.095	0.039	-0.013	-0.046	0.019	0.037	0.305
	(0.196)	(0.150)	(0.074)	(0.063)	(0.056)	(0.074)	(0.117)	(0.228)	(0.263)
Constant	2.801	7.723**	5.014**	2.507	2.630	2.773	1.695	7.658	13.868
	(3.936)	(3.672)	(2.417)	(1.895)	(1.958)	(2.046)	(3.149)	(9.436)	(10.021)
R-squared	0.251								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 32: Regression results of religious tensions indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.053	0.038	0.053***	0.061***	0.072**	0.066	0.045	0.049
	(0.040)	(0.040)	(0.024)	(0.020)	(0.019)	(0.029)	(0.041)	(0.060)	(0.078)
Inflation	0.001	-0.005	0.001	-0.003	-0.003	-0.009	-0.000	-0.003	0.007
	(0.013)	(0.013)	(0.011)	(0.006)	(0.005)	(0.008)	(0.012)	(0.016)	(0.017)
Trade openness	0.042***	0.029**	0.000	0.007	0.012***	0.014**	0.026***	0.054***	0.068***
	(0.016)	(0.012)	(0.012)	(0.005)	(0.004)	(0.006)	(0.008)	(0.017)	(0.020)
Gross capital formation	0.153***	0.120***	-0.011	-0.006	0.004	0.040**	0.089**	0.184***	0.215***
	(0.031)	(0.027)	(0.022)	(0.014)	(0.012)	(0.016)	(0.037)	(0.058)	(0.072)
US GDP per capita growth	0.090	0.022	-0.043	-0.047	-0.096	-0.130	-0.045	-0.005	0.181
	(0.138)	(0.141)	(0.077)	(0.070)	(0.065)	(0.109)	(0.188)	(0.423)	(0.619)
US central bank policy rate	-0.029	0.028	0.125	0.058	0.067	0.132	0.006	-0.101	-0.072
	(0.135)	(0.139)	(0.086)	(0.061)	(0.071)	(0.093)	(0.142)	(0.322)	(0.554)
US volatility VIX	0.019	0.090**	0.070***	0.041**	0.032*	0.054**	0.082*	0.100	0.081
	(0.043)	(0.043)	(0.021)	(0.020)	(0.019)	(0.027)	(0.049)	(0.116)	(0.226)
US policy uncertainty	-0.010	-0.019	-0.011	-0.005	-0.007	-0.003	-0.016	-0.032	-0.022
	(0.012)	(0.012)	(0.010)	(0.005)	(0.005)	(0.006)	(0.011)	(0.022)	(0.040)
US commodity price	-0.264	-0.191	0.080	0.089	0.013	0.026	-0.064	-0.111	-0.712
	(0.194)	(0.200)	(0.170)	(0.078)	(0.077)	(0.093)	(0.183)	(0.380)	(0.856)
Natural resources	0.003	0.055	0.048	0.054**	0.052*	0.075**	0.098**	0.045	-0.077
	(0.053)	(0.054)	(0.040)	(0.024)	(0.031)	(0.035)	(0.041)	(0.093)	(0.129)
Financial openness	0.129	0.249	-0.186	-0.010	0.146	0.195**	0.252	0.456	0.496
	(0.246)	(0.184)	(0.117)	(0.083)	(0.115)	(0.082)	(0.175)	(0.310)	(0.337)
Schooling	0.309	-0.409***	-0.252***	-0.226***	-0.231***	-0.367***	-0.492***	-0.670***	-0.997***
	(0.225)	(0.147)	(0.085)	(0.054)	(0.047)	(0.074)	(0.124)	(0.207)	(0.284)
Aid flows	-15.176**	0.861	2.947	0.016	-0.263	-1.289	-5.326	8.592	12.237
	(4.938)	(3.835)	(2.381)	(1.999)	(1.498)	(1.621)	(3.256)	(8.982)	(15.694)
External debt	-0.628	-1.282**	-1.117***	-0.389	-0.275	-0.458	-0.497	0.043	0.456
	(0.663)	(0.613)	(0.432)	(0.406)	(0.329)	(0.325)	(0.556)	(1.083)	(1.496)
Infrastructure	-0.185	-0.191**	-0.018	0.032	0.041	0.005	-0.057	0.074	0.264
	(0.136)	(0.092)	(0.047)	(0.034)	(0.034)	(0.055)	(0.085)	(0.155)	(0.162)
Population growth	-0.607*	-0.076	-0.164	-0.036	0.074	0.225*	0.271	-0.143	-0.094
	(0.347)	(0.322)	(0.190)	(0.149)	(0.134)	(0.128)	(0.296)	(0.610)	(0.782)
Net foreign assets	0.000	-0.000	0.000	-0.000	0.000	-0.000	-0.001*	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.880	-1.592**	-0.694	-0.442	-0.407	-0.508	-0.870*	-1.374	-0.274
	(0.689)	(0.630)	(0.471)	(0.377)	(0.323)	(0.323)	(0.488)	(1.418)	(1.699)
Financial crisis dummy	1.092	1.190*	-0.083	0.137	0.220	0.419	1.862	3.468	6.460
	(0.665)	(0.679)	(0.411)	(0.348)	(0.331)	(0.651)	(1.169)	(3.683)	(4.346)
Landlocked dummy	-	-1.004	-0.651**	-0.311	-0.059	-0.596**	-0.553	-0.795	-1.029
		(0.625)	(0.327)	(0.198)	(0.208)	(0.234)	(0.465)	(0.798)	(1.300)
Legal origin dummy	-	-0.265	0.203	-0.026	-0.041	0.724***	0.707	0.090	-0.984
		(0.607)	(0.263)	(0.213)	(0.176)	(0.265)	(0.470)	(0.865)	(1.221)
Quantitative easing dummy	1.974**	2.929***	1.258**	1.157***	1.071***	0.991**	1.652*	5.444**	8.603**
	(0.841)	(0.837)	(0.532)	(0.408)	(0.334)	(0.425)	(0.906)	(2.462)	(3.821)
Exchange rate regime	0.088	0.107*	0.054*	0.048**	0.030	0.010	0.070	0.088	0.225
	(0.092)	(0.060)	(0.030)	(0.024)	(0.020)	(0.029)	(0.052)	(0.110)	(0.160)
Religious tensions	0.290	0.352**	0.088	0.096	0.152***	0.241***	0.442***	0.227	0.484
	(0.206)	(0.151)	(0.099)	(0.065)	(0.058)	(0.073)	(0.125)	(0.227)	(0.310)
Constant	1.857	7.121*	4.234	2.259	2.310	2.236	3.869	7.000	-0.273
	(3.977)	(3.681)	(2.591)	(2.339)	(1.647)	(1.786)	(2.870)	(8.524)	(9.882)
R-squared	0.243								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 33: Regression results of law and order indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	-0.000	0.044	0.025	0.042*	0.064***	0.063**	0.084*	0.030	0.039
	(0.040)	(0.040)	(0.026)	(0.021)	(0.019)	(0.029)	(0.046)	(0.059)	(0.074)
Inflation	0.002	-0.006	0.004	0.004	-0.005	-0.012**	-0.010	-0.002	0.009
	(0.013)	(0.013)	(0.009)	(0.006)	(0.005)	(0.006)	(0.010)	(0.015)	(0.015)
Trade openness	0.042***	0.035***	-0.000	0.006	0.009**	0.018***	0.042***	0.060***	0.078***
	(0.016)	(0.012)	(0.009)	(0.006)	(0.005)	(0.005)	(0.008)	(0.018)	(0.020)
Gross capital formation	0.155***	0.125***	-0.031	-0.018	-0.002	0.022	0.079**	0.161***	0.227***
	(0.031)	(0.028)	(0.020)	(0.013)	(0.012)	(0.016)	(0.037)	(0.061)	(0.072)
US GDP per capita growth	0.072	0.019	-0.101	-0.040	-0.090	-0.163*	-0.051	0.063	0.266
	(0.140)	(0.142)	(0.091)	(0.069)	(0.067)	(0.094)	(0.195)	(0.422)	(0.678)
US central bank policy rate	-0.034	0.015	0.098	0.071	0.101*	0.118	0.097	-0.171	-0.400
	(0.135)	(0.138)	(0.110)	(0.061)	(0.058)	(0.082)	(0.177)	(0.320)	(0.550)
US volatility VIX	0.013	0.081*	0.055**	0.046**	0.025*	0.048*	0.071	0.103	0.096
	(0.044)	(0.043)	(0.028)	(0.020)	(0.015)	(0.025)	(0.046)	(0.099)	(0.215)
US policy uncertainty	-0.010	-0.019	-0.014	-0.005	0.001	-0.005	-0.006	-0.031	-0.044
	(0.012)	(0.012)	(0.010)	(0.005)	(0.004)	(0.006)	(0.010)	(0.020)	(0.045)
US commodity price	-0.273	-0.203	0.081	0.089	0.037	-0.005	-0.008	-0.178	-0.527
	(0.194)	(0.199)	(0.157)	(0.073)	(0.064)	(0.096)	(0.245)	(0.342)	(0.872)
Natural resources	0.001	0.046	0.073	0.043**	0.068**	0.082**	0.075	0.044	-0.012
	(0.053)	(0.054)	(0.048)	(0.022)	(0.029)	(0.034)	(0.048)	(0.086)	(0.166)
Financial openness	0.114	0.228	-0.128	-0.080	0.024	0.101	0.301	0.488	0.508
	(0.246)	(0.196)	(0.109)	(0.092)	(0.097)	(0.092)	(0.201)	(0.325)	(0.343)
Schooling	0.287	-0.274*	-0.123*	-0.176***	-0.187***	-0.265***	-0.345***	-0.508***	-0.878***
	(0.224)	(0.158)	(0.071)	(0.048)	(0.039)	(0.061)	(0.113)	(0.190)	(0.230)
Aid flows	-14.633**	0.360	4.180*	3.250*	2.371*	-0.756	-2.077	12.529	15.315
	(4.981)	(3.973)	(2.146)	(1.677)	(1.260)	(1.650)	(3.897)	(8.408)	(15.245)
External debt	-0.476	-1.023*	-1.080***	-0.938**	-0.416	-0.118	0.089	-0.095	-0.718
	(0.652)	(0.621)	(0.396)	(0.391)	(0.312)	(0.318)	(0.530)	(1.076)	(1.396)
Infrastructure	-0.154	-0.214**	-0.010	0.038	0.025	-0.011	-0.024	0.089	0.105
	(0.133)	(0.100)	(0.046)	(0.033)	(0.031)	(0.042)	(0.079)	(0.138)	(0.176)
Population growth	-0.682*	-0.181	-0.120	-0.068	0.071	0.226	0.553*	-0.061	-0.356
	(0.347)	(0.327)	(0.192)	(0.140)	(0.116)	(0.183)	(0.326)	(0.610)	(0.716)
Net foreign assets	0.000	-0.000	0.000	0.000	-0.000	-0.000*	-0.000	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.711	-1.406**	-0.698*	-0.429	-0.146	-0.187	-0.937*	-1.315	-2.461
	(0.681)	(0.646)	(0.414)	(0.329)	(0.302)	(0.339)	(0.511)	(1.506)	(1.960)
Financial crisis dummy	1.130*	1.196*	-0.102	0.089	0.135	0.131	1.317	3.748	6.756*
	(0.664)	(0.676)	(0.473)	(0.327)	(0.305)	(0.659)	(1.214)	(3.369)	(4.038)
Landlocked dummy	-	-0.960	-0.515	-0.429**	-0.445**	-0.486**	-0.600	-1.362**	-1.486
		(0.732)	(0.340)	(0.201)	(0.192)	(0.240)	(0.437)	(0.685)	(1.141)
Legal origin dummy	-	-0.309	0.008	-0.113	0.089	0.537**	0.634	-0.015	-2.042*
		(0.706)	(0.251)	(0.194)	(0.194)	(0.239)	(0.478)	(0.945)	(1.167)
Quantitative easing dummy	1.975**	2.895***	1.646***	1.107***	0.595	1.109**	1.394	5.753**	8.609**
	(0.842)	(0.836)	(0.560)	(0.352)	(0.378)	(0.467)	(0.918)	(2.407)	(4.045)
Exchange rate regime	0.091	0.100	0.046	0.050**	0.042**	0.019	0.067	0.096	0.296**
	(0.092)	(0.066)	(0.029)	(0.022)	(0.020)	(0.024)	(0.055)	(0.109)	(0.139)
Law and order	0.320	0.201	0.229*	0.224***	0.341***	0.319***	0.153	0.071	0.068
	(0.285)	(0.227)	(0.129)	(0.085)	(0.074)	(0.083)	(0.157)	(0.276)	(0.375)
Constant	1.315	6.448*	4.441*	2.010	-0.043	0.433	2.043	6.359	14.082
	(4.077)	(3.863)	(2.272)	(1.962)	(1.571)	(2.156)	(3.435)	(8.967)	(11.594)
R-squared	0.242								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 34: Regression results of ethnic tensions indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.043	0.026	0.048***	0.058***	0.086***	0.057	0.022	0.016
	(0.040)	(0.039)	(0.024)	(0.015)	(0.019)	(0.032)	(0.044)	(0.059)	(0.060)
Inflation	0.001	-0.006	0.003	0.000	-0.005	-0.007	-0.002	-0.003	0.009
	(0.013)	(0.013)	(0.013)	(0.006)	(0.006)	(0.008)	(0.011)	(0.015)	(0.024)
Trade openness	0.044***	0.035***	-0.001	0.007*	0.012***	0.018***	0.035***	0.055***	0.064***
	(0.016)	(0.012)	(0.011)	(0.004)	(0.004)	(0.005)	(0.010)	(0.019)	(0.024)
Gross capital formation	0.151***	0.124***	-0.026	-0.003	0.003	0.029	0.088***	0.175***	0.235***
	(0.031)	(0.028)	(0.023)	(0.012)	(0.012)	(0.018)	(0.030)	(0.063)	(0.072)
US GDP per capita growth	0.091	0.025	-0.044	-0.025	-0.084	-0.158	0.052	0.009	0.005
	(0.138)	(0.140)	(0.075)	(0.058)	(0.065)	(0.112)	(0.186)	(0.448)	(0.560)
US central bank policy rate	-0.031	0.019	0.092	0.038	0.042	0.122	0.008	-0.162	-0.285
	(0.134)	(0.138)	(0.088)	(0.065)	(0.056)	(0.092)	(0.148)	(0.370)	(0.526)
US volatility VIX	0.013	0.078*	0.058**	0.049**	0.028	0.049*	0.095**	0.098	0.059
	(0.043)	(0.043)	(0.027)	(0.022)	(0.020)	(0.029)	(0.045)	(0.101)	(0.180)
US policy uncertainty	-0.007	-0.016	-0.007	-0.006	-0.005	-0.002	-0.013	-0.036**	-0.040
	(0.012)	(0.012)	(0.010)	(0.005)	(0.005)	(0.007)	(0.009)	(0.017)	(0.035)
US commodity price	-0.272	-0.207	0.049	0.090	-0.000	0.028	-0.187	-0.156	-0.623
	(0.193)	(0.198)	(0.165)	(0.078)	(0.062)	(0.098)	(0.243)	(0.342)	(0.723)
Natural resources	0.000	0.046	0.064	0.040	0.065**	0.101**	0.095**	0.062	0.065
	(0.053)	(0.053)	(0.046)	(0.027)	(0.028)	(0.042)	(0.040)	(0.092)	(0.156)
Financial openness	0.072	0.193	-0.150	-0.096	-0.075	0.108	0.353**	0.449	0.329
	(0.245)	(0.198)	(0.107)	(0.097)	(0.122)	(0.117)	(0.166)	(0.313)	(0.332)
Schooling	0.277	-0.266*	-0.198***	-0.184***	-0.168***	-0.254***	-0.387***	-0.553***	-0.915***
	(0.223)	(0.159)	(0.076)	(0.056)	(0.045)	(0.057)	(0.121)	(0.182)	(0.264)
Aid flows	-14.187**	-0.269	2.852	2.610	1.432	-1.834	-3.024	10.732	10.915
	(4.969)	(3.992)	(2.667)	(1.916)	(1.741)	(2.055)	(4.080)	(8.832)	(13.980)
External debt	-0.498	-0.953	-0.847*	-0.682	-0.216	-0.177	-0.366	-0.084	-0.621
	(0.651)	(0.621)	(0.467)	(0.414)	(0.338)	(0.297)	(0.546)	(0.884)	(1.483)
Infrastructure	-0.151	-0.244**	-0.004	0.023	0.032	-0.045	-0.088	0.047	0.102
	(0.132)	(0.101)	(0.041)	(0.037)	(0.039)	(0.050)	(0.087)	(0.138)	(0.171)
Population growth	-0.636*	-0.152	-0.131	-0.075	0.139	0.299*	0.303	-0.096	-0.235
	(0.346)	(0.327)	(0.211)	(0.142)	(0.111)	(0.179)	(0.323)	(0.506)	(0.815)
Net foreign assets	0.000	0.000	0.000	0.000	0.000	-0.000	-0.000*	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.747	-1.375**	-0.638	-0.443	-0.338	-0.463	-0.963*	-1.756	-3.101*
	(0.679)	(0.643)	(0.396)	(0.308)	(0.327)	(0.361)	(0.562)	(1.316)	(1.729)
Financial crisis dummy	1.071	1.148*	-0.054	-0.008	0.184	0.022	1.516	3.854	6.979*
	(0.664)	(0.674)	(0.471)	(0.375)	(0.361)	(0.659)	(1.332)	(3.488)	(3.959)
Landlocked dummy	-	-1.205	-0.638*	-0.511***	-0.537**	-0.827***	-0.761	-1.315	-1.513
		(0.757)	(0.378)	(0.190)	(0.250)	(0.287)	(0.536)	(0.814)	(1.087)
Legal origin dummy	-	-0.174	0.117	0.107	0.228	0.690**	0.535	-0.002	-1.591
		(0.716)	(0.272)	(0.232)	(0.210)	(0.279)	(0.487)	(0.803)	(1.113)
Quantitative easing dummy	1.772**	2.717***	1.316**	1.199***	0.870**	0.765	1.481	6.047**	9.019**
	(0.849)	(0.838)	(0.597)	(0.327)	(0.348)	(0.520)	(0.944)	(2.864)	(3.938)
Exchange rate regime	0.098	0.098	0.045	0.039	0.017	0.017	0.073	0.077	0.240*
	(0.092)	(0.066)	(0.032)	(0.025)	(0.024)	(0.029)	(0.046)	(0.087)	(0.128)
Ethnic tensions	0.434*	0.405**	0.178**	0.099	0.197**	0.345***	0.287*	0.195	0.325
	(0.232)	(0.198)	(0.091)	(0.075)	(0.077)	(0.116)	(0.154)	(0.274)	(0.395)
Constant	0.540	5.290	3.633	2.097	1.305	1.235	3.316	9.284	17.647*
	(4.076)	(3.859)	(2.539)	(1.781)	(1.765)	(2.175)	(4.065)	(8.167)	(10.318)
R-squared	0.245								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 35:Regression results of democratic accountability indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	-0.002	0.039	0.032	0.064***	0.057***	0.069**	0.087**	0.004	0.042
	(0.040)	(0.040)	(0.028)	(0.019)	(0.018)	(0.031)	(0.040)	(0.049)	(0.057)
Inflation	0.003	-0.004	0.001	-0.003	-0.005	-0.010	-0.010	-0.005	0.009
	(0.013)	(0.013)	(0.010)	(0.006)	(0.005)	(0.007)	(0.013)	(0.015)	(0.019)
Trade openness	0.038**	0.034***	0.004	0.009*	0.016***	0.020***	0.039***	0.060***	0.077***
	(0.016)	(0.012)	(0.011)	(0.005)	(0.005)	(0.005)	(0.009)	(0.017)	(0.022)
Gross capital formation	0.155***	0.122***	-0.008	-0.003	0.008	0.035**	0.077**	0.167***	0.208***
	(0.031)	(0.028)	(0.023)	(0.012)	(0.012)	(0.017)	(0.032)	(0.053)	(0.068)
US GDP per capita growth	0.107	0.044	-0.058	-0.034	-0.073	-0.124	0.014	0.090	0.245
	(0.138)	(0.140)	(0.072)	(0.059)	(0.070)	(0.120)	(0.209)	(0.404)	(0.505)
US central bank policy rate	-0.055	-0.007	0.100	0.040	0.052	0.055	0.012	-0.202	-0.346
	(0.134)	(0.138)	(0.096)	(0.070)	(0.062)	(0.090)	(0.165)	(0.285)	(0.473)
US volatility VIX	0.028	0.090**	0.074***	0.038*	0.025	0.057*	0.067	0.101	0.075
	(0.044)	(0.043)	(0.027)	(0.020)	(0.020)	(0.032)	(0.048)	(0.087)	(0.204)
US policy uncertainty	-0.012	-0.020*	-0.013	-0.006	-0.008*	-0.008	-0.011	-0.038**	-0.035
	(0.012)	(0.012)	(0.011)	(0.005)	(0.005)	(0.007)	(0.011)	(0.018)	(0.035)
US commodity price	-0.273	-0.213	0.097	0.026	0.023	0.059	-0.045	-0.227	-0.872
	(0.193)	(0.198)	(0.178)	(0.075)	(0.066)	(0.086)	(0.196)	(0.319)	(0.638)
Natural resources	-0.001	0.039	0.041	0.040	0.054**	0.096***	0.058	0.064	0.011
	(0.053)	(0.054)	(0.047)	(0.028)	(0.026)	(0.035)	(0.048)	(0.080)	(0.120)
Financial openness	0.110	0.244	-0.198	-0.045	0.090	0.252***	0.285	0.504	0.588*
	(0.245)	(0.197)	(0.137)	(0.089)	(0.099)	(0.094)	(0.176)	(0.311)	(0.332)
Schooling	0.282	-0.266*	-0.220***	-0.210***	-0.181***	-0.241***	-0.311**	-0.554***	-0.736***
	(0.223)	(0.159)	(0.078)	(0.057)	(0.037)	(0.059)	(0.124)	(0.172)	(0.217)
Aid flows	-13.478**	0.746	3.779	2.322	1.141	0.124	-0.154	10.481	16.717
	(5.053)	(3.990)	(2.459)	(1.750)	(1.424)	(1.787)	(3.924)	(6.770)	(13.257)
External debt	-0.377	-0.821	-1.045*	-0.621	-0.393	-0.228	0.241	-0.027	0.018
	(0.653)	(0.629)	(0.597)	(0.403)	(0.279)	(0.302)	(0.555)	(1.062)	(1.428)
Infrastructure	-0.113	-0.190*	-0.004	0.036	0.057	-0.014	-0.009	0.003	0.100
	(0.132)	(0.098)	(0.052)	(0.042)	(0.039)	(0.053)	(0.082)	(0.120)	(0.178)
Population growth	-0.735**	-0.253	-0.105	-0.116	0.154	0.182	0.334	-0.126	-0.573
	(0.349)	(0.329)	(0.233)	(0.192)	(0.136)	(0.172)	(0.352)	(0.459)	(0.793)
Net foreign assets	0.000	-0.000	0.000	-0.000	-0.000	-0.000	-0.000	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.821	-1.451**	-0.604	-0.463	-0.405	-0.425	-0.782	-1.441	-1.760
	(0.682)	(0.641)	(0.508)	(0.343)	(0.308)	(0.311)	(0.500)	(1.213)	(1.893)
Financial crisis dummy	1.073	1.144*	-0.077	0.269	0.256	0.286	1.870	4.026	6.182
	(0.665)	(0.674)	(0.432)	(0.362)	(0.338)	(0.693)	(1.260)	(3.288)	(3.991)
Landlocked dummy	-	-0.798	-0.583*	-0.406*	-0.131	-0.593**	-0.654	-1.205*	-1.584
		(0.743)	(0.351)	(0.244)	(0.228)	(0.262)	(0.434)	(0.698)	(1.108)
Legal origin dummy	-	-0.496	0.159	0.109	0.097	0.634**	0.672	-0.091	-2.191*
		(0.719)	(0.370)	(0.202)	(0.229)	(0.278)	(0.477)	(0.759)	(1.139)
Quantitative easing dummy	2.158**	3.031***	1.387**	0.923**	0.965***	1.237***	1.719*	5.556**	8.679**
	(0.844)	(0.837)	(0.638)	(0.372)	(0.348)	(0.451)	(0.978)	(2.218)	(3.877)
Exchange rate regime	0.140	0.117*	0.056*	0.045*	0.027	0.012	0.042	0.104	0.313**
	(0.097)	(0.067)	(0.033)	(0.023)	(0.021)	(0.028)	(0.056)	(0.100)	(0.129)
Democratic accountability	0.347*	0.363**	0.038	-0.033	-0.096	-0.020	0.305**	0.373	0.474
	(0.203)	(0.181)	(0.141)	(0.088)	(0.076)	(0.075)	(0.147)	(0.293)	(0.414)
Constant	1.469	6.069	3.586	2.888	2.575	2.475	1.791	7.282	8.924
	(3.992)	(3.786)	(3.206)	(1.832)	(1.685)	(2.007)	(3.246)	(7.566)	(11.783)
R-squared	0.244								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 36: Regression results of bureaucracy quality indicator effect on FDI inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.045	0.041	0.055**	0.061***	0.064**	0.084*	0.030	0.040
	(0.040)	(0.040)	(0.027)	(0.022)	(0.020)	(0.026)	(0.045)	(0.056)	(0.072)
Inflation	0.003	-0.007	-0.001	-0.005	-0.004	-0.011	-0.008	-0.003	0.008
	(0.013)	(0.013)	(0.006)	(0.006)	(0.006)	(0.007)	(0.012)	(0.016)	(0.020)
Trade openness	0.044***	0.036***	0.006	0.008	0.016***	0.019***	0.038***	0.058***	0.080***
	(0.016)	(0.012)	(0.009)	(0.005)	(0.004)	(0.006)	(0.009)	(0.018)	(0.026)
Gross capital formation	0.155***	0.127***	-0.009	0.001	0.011	0.034**	0.086**	0.167***	0.225***
	(0.031)	(0.027)	(0.019)	(0.013)	(0.011)	(0.014)	(0.035)	(0.063)	(0.065)
US GDP per capita growth	0.108	0.038	-0.043	-0.053	-0.077	-0.141	-0.055	0.039	0.233
	(0.138)	(0.141)	(0.091)	(0.064)	(0.069)	(0.115)	(0.189)	(0.412)	(0.520)
US central bank policy rate	-0.028	0.002	0.061	0.052	0.029	0.078	0.096	-0.180	-0.418
	(0.135)	(0.139)	(0.093)	(0.071)	(0.061)	(0.082)	(0.170)	(0.357)	(0.479)
US volatility VIX	0.027	0.078*	0.064*	0.036	0.023	0.047	0.053	0.125	0.087
	(0.044)	(0.044)	(0.033)	(0.024)	(0.022)	(0.030)	(0.044)	(0.098)	(0.237)
US policy uncertainty	-0.011	-0.020*	-0.011	-0.005	-0.009	-0.007	-0.008	-0.040**	-0.046
	(0.012)	(0.012)	(0.012)	(0.007)	(0.006)	(0.007)	(0.011)	(0.018)	(0.044)
US commodity price	-0.271	-0.198	-0.036	0.022	0.012	0.056	-0.115	-0.158	-0.420
	(0.193)	(0.199)	(0.218)	(0.111)	(0.074)	(0.101)	(0.235)	(0.297)	(0.822)
Natural resources	-0.002	0.045	0.042	0.045	0.042	0.103***	0.069	0.067	0.001
	(0.053)	(0.054)	(0.042)	(0.033)	(0.033)	(0.036)	(0.047)	(0.097)	(0.144)
Financial openness	0.069	0.243	-0.163	-0.026	0.134	0.268***	0.208	0.412*	0.569
	(0.246)	(0.195)	(0.122)	(0.087)	(0.087)	(0.078)	(0.192)	(0.232)	(0.358)
Schooling	0.325	-0.284*	-0.165**	-0.183***	-0.177***	-0.210***	-0.344***	-0.593***	-0.863***
	(0.226)	(0.156)	(0.075)	(0.049)	(0.041)	(0.062)	(0.097)	(0.156)	(0.232)
Aid flows	-15.249**	0.348	2.330	2.127	0.539	0.133	-2.536	11.534	15.722
	(4.937)	(3.962)	(2.708)	(1.871)	(1.333)	(1.363)	(3.590)	(7.722)	(18.585)
External debt	-0.609	-1.002	-0.934	-0.613	-0.230	-0.091	-0.221	-0.420	-0.506
	(0.660)	(0.623)	(0.637)	(0.466)	(0.361)	(0.361)	(0.532)	(0.838)	(1.313)
Infrastructure	-0.146	-0.177*	-0.005	0.027	0.065*	0.025	0.040	0.107	0.107
	(0.132)	(0.098)	(0.045)	(0.037)	(0.035)	(0.049)	(0.082)	(0.148)	(0.195)
Population growth	-0.725**	-0.128	-0.209	-0.142	0.118	0.234	0.566*	0.007	-0.413
	(0.350)	(0.327)	(0.272)	(0.178)	(0.106)	(0.172)	(0.301)	(0.567)	(0.868)
Net foreign assets	0.000	-0.000	0.000	-0.000	0.000	-0.000	-0.000	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.752	-1.435**	-0.613	-0.424	-0.440	-0.450	-1.273**	-1.501	-2.608
	(0.680)	(0.643)	(0.510)	(0.347)	(0.304)	(0.358)	(0.640)	(1.531)	(1.890)
Financial crisis dummy	1.065	1.232*	-0.005	0.176	0.224	0.402	1.662	3.782	6.879*
	(0.667)	(0.678)	(0.393)	(0.360)	(0.358)	(0.646)	(1.343)	(3.525)	(4.163)
Landlocked dummy	-	-0.975	-0.595*	-0.442*	-0.024	-0.535**	-0.609	-1.150*	-1.549
		(0.712)	(0.341)	(0.229)	(0.194)	(0.222)	(0.467)	(0.694)	(1.572)
Legal origin dummy	-	-0.199	0.143	0.058	0.055	0.670***	0.464	-0.100	-1.848
		(0.688)	(0.301)	(0.228)	(0.208)	(0.257)	(0.460)	(0.793)	(1.152)
Quantitative easing dummy	1.968**	2.877***	1.232**	0.885*	1.063***	1.200***	1.186	5.664**	8.791*
	(0.841)	(0.838)	(0.624)	(0.470)	(0.357)	(0.461)	(0.951)	(2.797)	(4.962)
Exchange rate regime	0.078	0.110*	0.049	0.058**	0.038	0.012	0.078	0.098	0.266*
	(0.093)	(0.066)	(0.039)	(0.028)	(0.024)	(0.028)	(0.049)	(0.088)	(0.149)
Bureaucracy quality	0.432	-0.257	-0.263	-0.134	-0.139	-0.188	-0.293	-0.093	-0.059
	(0.307)	(0.261)	(0.266)	(0.152)	(0.116)	(0.123)	(0.208)	(0.328)	(0.494)
Constant	1.669	7.402**	4.168	2.774	2.695	2.588	5.129	8.506	15.364
	(3.992)	(3.736)	(3.056)	(2.000)	(1.692)	(2.266)	(3.794)	(9.496)	(11.791)
R-squared	0.243								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 37:Regression results of government stability indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.003	0.006	0.005	0.002	-0.000	0.001	0.003	0.010
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.002)	(0.002)	(0.005)	(0.009)
Inflation	0.001	0.000	0.001	0.001	-0.000	0.000	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.003	-0.001	-0.000	0.000	0.001*	0.003**	0.005***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.001	-0.001	0.008*	0.003	0.001	-0.001	-0.001	-0.007**	-0.009**
	(0.003)	(0.002)	(0.005)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.004)
US GDP per capita growth	-0.023*	-0.025**	-0.047**	-0.040**	-0.013	-0.012**	-0.027***	-0.041*	-0.044
	(0.012)	(0.012)	(0.022)	(0.018)	(0.009)	(0.006)	(0.009)	(0.021)	(0.040)
US central bank policy rate	0.012	0.012	0.050**	0.042***	0.013*	0.008	-0.006	-0.007	0.030
	(0.011)	(0.011)	(0.019)	(0.015)	(0.007)	(0.005)	(0.008)	(0.017)	(0.032)
US volatility VIX	-0.002	-0.002	-0.011	-0.010	-0.004	-0.001	-0.005	-0.005	-0.007
	(0.004)	(0.004)	(0.009)	(0.006)	(0.002)	(0.002)	(0.003)	(0.007)	(0.009)
US policy uncertainty	-0.001	-0.001	0.006***	0.003***	0.001	-0.000	-0.002**	-0.004**	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.002)	(0.002)
US commodity price	0.024	0.024	0.120**	0.087**	0.032*	0.013	0.013	0.006	-0.011
	(0.016)	(0.016)	(0.055)	(0.038)	(0.020)	(0.011)	(0.016)	(0.027)	(0.049)
Natural resources	0.004	0.005	0.002	0.004	-0.001	-0.001	0.006*	0.013*	-0.002
	(0.005)	(0.004)	(0.009)	(0.005)	(0.004)	(0.003)	(0.003)	(0.008)	(0.010)
Financial openness	0.009	0.007	0.001	0.002	0.006	0.009*	0.004	-0.000	-0.001
	(0.021)	(0.012)	(0.021)	(0.013)	(0.007)	(0.005)	(0.012)	(0.016)	(0.018)
Schooling	0.003	0.006	0.014	0.007	0.009*	0.000	-0.005	0.002	0.019
	(0.019)	(0.009)	(0.018)	(0.011)	(0.005)	(0.004)	(0.005)	(0.011)	(0.025)
Aid flows	0.631	0.695***	1.012*	0.449	0.213	0.159	0.052	-0.107	1.726*
	(0.424)	(0.254)	(0.584)	(0.346)	(0.186)	(0.145)	(0.282)	(0.815)	(0.974)
External debt	0.006	-0.008	-0.337***	-0.222***	-0.087**	-0.030	0.072*	0.194**	0.190
	(0.056)	(0.047)	(0.118)	(0.065)	(0.041)	(0.030)	(0.041)	(0.077)	(0.147)
Infrastructure	-0.001	0.003	0.001	-0.003	-0.007	-0.002	0.004	0.007	0.000
	(0.011)	(0.006)	(0.011)	(0.007)	(0.005)	(0.005)	(0.006)	(0.008)	(0.014)
Population growth	0.007	0.004	0.035	0.027	0.008	-0.009	-0.024	-0.020	-0.046
	(0.029)	(0.025)	(0.039)	(0.027)	(0.015)	(0.014)	(0.019)	(0.033)	(0.054)
Net foreign assets	0.000**	0.000**	0.000	0.000*	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.113**	0.054	0.134	0.025	0.019	0.017	-0.028	0.082	-0.065
	(0.058)	(0.048)	(0.141)	(0.060)	(0.036)	(0.025)	(0.041)	(0.109)	(0.152)
Financial crisis dummy	-0.010	-0.009	-0.174*	-0.088	-0.027	-0.007	0.024	0.074	0.127
	(0.057)	(0.055)	(0.104)	(0.083)	(0.050)	(0.024)	(0.041)	(0.117)	(0.240)
Landlocked dummy	-	-0.053	-0.045	-0.022	-0.026	-0.026	-0.018	0.009	-0.160*
		(0.037)	(0.068)	(0.045)	(0.023)	(0.016)	(0.028)	(0.064)	(0.089)
Legal origin dummy	-	0.013	0.014	0.027	-0.000	0.010	0.027	0.015	-0.071
		(0.036)	(0.078)	(0.050)	(0.025)	(0.017)	(0.028)	(0.054)	(0.083)
Quantitative easing dummy	0.046	0.070	-0.376***	-0.167**	-0.030	0.012	0.166***	0.233**	0.205
	(0.072)	(0.067)	(0.119)	(0.083)	(0.043)	(0.035)	(0.058)	(0.117)	(0.163)
Exchange rate regime	-0.006	-0.003	0.001	-0.007	-0.002	-0.002	-0.002	0.001	0.006
	(0.008)	(0.004)	(0.008)	(0.005)	(0.003)	(0.002)	(0.003)	(0.007)	(0.010)
Government stability	0.018*	0.018**	0.020	0.021**	0.014**	0.009**	0.013**	0.013	0.014
	(0.010)	(0.009)	(0.018)	(0.010)	(0.006)	(0.004)	(0.006)	(0.014)	(0.021)
Constant	-0.647*	-0.316	-1.456*	-0.540	-0.233	-0.040	0.472*	0.106	0.648
	(0.336)	(0.281)	(0.833)	(0.370)	(0.185)	(0.147)	(0.255)	(0.613)	(0.931)
R-squared	0.057								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 38: Regression results of socioeconomic conditions indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.004	0.003	0.004	0.001	0.000	0.001	0.006	0.010
	(0.003)	(0.003)	(0.005)	(0.004)	(0.002)	(0.002)	(0.002)	(0.005)	(0.010)
Inflation	0.000	0.000	0.001	0.001	-0.000	-0.000	-0.001	-0.002	-0.003
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.004)
Trade openness	0.002	0.001	-0.002	-0.001	-0.000	0.000	0.001*	0.004***	0.005***
	(0.001)	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	0.000	0.000	0.009**	0.004	0.002	0.000	-0.001	-0.008***	-0.007
	(0.003)	(0.002)	(0.004)	(0.003)	(0.002)	(0.001)	(0.001)	(0.003)	(0.005)
US GDP per capita growth	-0.017	-0.018	-0.052**	-0.044**	-0.012	-0.008	-0.023**	-0.042**	-0.046
	(0.012)	(0.011)	(0.022)	(0.017)	(0.009)	(0.006)	(0.009)	(0.021)	(0.046)
US central bank policy rate	0.011	0.011	0.055***	0.046***	0.015*	0.010*	-0.000	-0.001	0.027
	(0.011)	(0.011)	(0.017)	(0.014)	(0.008)	(0.006)	(0.007)	(0.017)	(0.034)
US volatility VIX	0.000	0.001	-0.008	-0.008	0.001	-0.000	-0.001	-0.001	-0.003
	(0.004)	(0.004)	(0.010)	(0.008)	(0.003)	(0.002)	(0.004)	(0.006)	(0.014)
US policy uncertainty	-0.001	-0.001	0.004***	0.003**	0.000	-0.000	-0.002**	-0.004**	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
US commodity price	0.024	0.024	0.128**	0.084*	0.032*	0.012	0.014	0.005	-0.016
	(0.016)	(0.016)	(0.052)	(0.044)	(0.018)	(0.011)	(0.017)	(0.023)	(0.079)
Natural resources	0.004	0.005	-0.000	0.001	-0.001	-0.001	0.006**	0.011*	-0.001
	(0.005)	(0.004)	(0.009)	(0.006)	(0.003)	(0.003)	(0.003)	(0.006)	(0.010)
Financial openness	0.007	0.009	0.011	0.007	0.010	0.009	0.008	0.007	-0.001
	(0.021)	(0.012)	(0.022)	(0.016)	(0.008)	(0.007)	(0.010)	(0.016)	(0.021)
Schooling	0.001	0.005	0.016	0.008	0.008*	-0.000	-0.005	0.005	0.006
	(0.019)	(0.009)	(0.017)	(0.010)	(0.005)	(0.004)	(0.006)	(0.011)	(0.021)
Aid flows	0.544	0.724***	1.169*	0.418	0.354*	0.122	0.136	-0.102	1.903*
	(0.420)	(0.254)	(0.613)	(0.372)	(0.194)	(0.145)	(0.242)	(0.697)	(1.102)
External debt	0.005	-0.018	-0.307***	-0.265***	-0.105***	-0.022	0.050	0.205***	0.204
	(0.056)	(0.046)	(0.086)	(0.061)	(0.037)	(0.026)	(0.040)	(0.074)	(0.171)
Infrastructure	0.003	0.007	0.014	-0.001	-0.003	0.000	0.007	0.009	0.006
	(0.011)	(0.006)	(0.011)	(0.008)	(0.005)	(0.005)	(0.006)	(0.007)	(0.015)
Population growth	0.005	0.005	0.037	0.019	0.013	0.000	-0.021	-0.014	-0.048
	(0.029)	(0.025)	(0.037)	(0.026)	(0.018)	(0.013)	(0.019)	(0.030)	(0.060)
Net foreign assets	0.000**	0.000**	0.000	0.000*	0.000	0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.116**	0.050	0.074	0.041	0.033	0.014	-0.014	0.040	-0.086
	(0.058)	(0.047)	(0.105)	(0.072)	(0.034)	(0.028)	(0.040)	(0.112)	(0.140)
Financial crisis dummy	-0.015	-0.019	-0.224***	-0.137	-0.081	-0.003	0.003	0.055	0.100
	(0.057)	(0.055)	(0.086)	(0.091)	(0.051)	(0.027)	(0.048)	(0.097)	(0.320)
Landlocked dummy	-	-0.063*	-0.061	-0.044	-0.039	-0.026	-0.020	-0.005	-0.172*
		(0.036)	(0.055)	(0.047)	(0.024)	(0.018)	(0.028)	(0.060)	(0.103)
Legal origin dummy	-	0.012	0.031	0.040	0.006	0.017	0.030	0.020	-0.030
		(0.036)	(0.082)	(0.048)	(0.026)	(0.016)	(0.027)	(0.050)	(0.083)
Quantitative easing dummy	0.019	0.043	-0.350***	-0.216**	-0.049	0.007	0.128**	0.233**	0.265
	(0.071)	(0.068)	(0.094)	(0.095)	(0.045)	(0.032)	(0.050)	(0.109)	(0.190)
Exchange rate regime	-0.004	-0.004	-0.006	-0.007	-0.003	-0.002	-0.001	0.002	0.005
	(0.008)	(0.004)	(0.008)	(0.006)	(0.003)	(0.002)	(0.003)	(0.006)	(0.010)
Socioeconomic conditions	-0.019	-0.016	-0.043	-0.022	-0.014*	-0.003	-0.001	-0.003	0.010
	(0.014)	(0.010)	(0.033)	(0.019)	(0.008)	(0.007)	(0.009)	(0.017)	(0.029)
Constant	-0.491	-0.153	-0.806	-0.322	-0.198	-0.020	0.378	0.312	0.786
	(0.343)	(0.278)	(0.658)	(0.415)	(0.172)	(0.167)	(0.246)	(0.709)	(0.857)
R-squared	0.055								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 39:Regression results of investment profile indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.004	0.004	0.002	0.000	0.001	0.005	0.007
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.001)	(0.002)	(0.005)	(0.010)
Inflation	0.000	0.000	0.000	0.001	-0.000	-0.000	-0.001	-0.003	-0.004
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.004*	-0.001	-0.000	0.000	0.001**	0.004***	0.004***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
Gross capital formation	-0.000	-0.001	0.008*	0.005*	0.002	-0.000	-0.001	-0.009***	-0.005
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.016	-0.020*	-0.024	-0.035***	-0.012	-0.008	-0.023***	-0.038*	-0.042
	(0.012)	(0.011)	(0.017)	(0.013)	(0.010)	(0.005)	(0.008)	(0.020)	(0.039)
US central bank policy rate	0.013	0.013	0.045**	0.047***	0.013*	0.009**	-0.003	0.006	0.020
	(0.011)	(0.011)	(0.019)	(0.015)	(0.007)	(0.005)	(0.006)	(0.016)	(0.029)
US volatility VIX	0.001	0.002	-0.005	-0.004	-0.000	-0.001	-0.001	0.001	-0.008
	(0.004)	(0.004)	(0.008)	(0.005)	(0.003)	(0.002)	(0.003)	(0.006)	(0.014)
US policy uncertainty	-0.001	-0.001	0.004**	0.003**	0.000	-0.000	-0.002***	-0.004**	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.003)
US commodity price	0.022	0.023	0.084	0.088*	0.031*	0.013	0.013	-0.005	-0.032
	(0.017)	(0.016)	(0.053)	(0.050)	(0.016)	(0.010)	(0.018)	(0.022)	(0.079)
Natural resources	0.004	0.006	-0.002	0.002	-0.001	-0.001	0.006*	0.009	0.008
	(0.005)	(0.004)	(0.009)	(0.005)	(0.003)	(0.003)	(0.003)	(0.007)	(0.010)
Financial openness	0.008	0.007	0.003	-0.003	0.008	0.009	0.008	0.005	0.022
	(0.021)	(0.012)	(0.018)	(0.015)	(0.007)	(0.007)	(0.011)	(0.016)	(0.021)
Schooling	0.006	0.004	0.018	0.004	0.006	-0.000	-0.007	0.005	0.005
	(0.019)	(0.008)	(0.015)	(0.010)	(0.005)	(0.004)	(0.005)	(0.011)	(0.023)
Aid flows	0.479	0.699***	1.479**	0.338	0.251	0.101	0.224	0.056	1.665*
	(0.423)	(0.242)	(0.620)	(0.424)	(0.202)	(0.130)	(0.272)	(0.878)	(0.927)
External debt	-0.010	-0.020	-0.309***	-0.234***	-0.093**	-0.021	0.031	0.158*	0.257*
	(0.056)	(0.047)	(0.110)	(0.081)	(0.040)	(0.028)	(0.044)	(0.082)	(0.149)
Infrastructure	0.003	0.005	-0.002	-0.005	-0.005	-0.002	0.004	0.009	0.007
	(0.011)	(0.006)	(0.011)	(0.008)	(0.005)	(0.005)	(0.006)	(0.009)	(0.013)
Population growth	0.006	0.006	0.042	0.025	0.015	-0.003	-0.024	-0.021	-0.106
	(0.029)	(0.024)	(0.037)	(0.033)	(0.019)	(0.014)	(0.019)	(0.038)	(0.065)
Net foreign assets	0.000**	0.000*	0.000	0.000*	-0.000	0.000	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.113*	0.039	0.184	0.028	0.019	0.016	-0.020	-0.005	-0.041
	(0.058)	(0.047)	(0.122)	(0.067)	(0.033)	(0.026)	(0.045)	(0.104)	(0.141)
Financial crisis dummy	-0.024	-0.021	-0.121	-0.137*	-0.049	0.000	0.009	0.044	0.153
	(0.057)	(0.055)	(0.089)	(0.071)	(0.056)	(0.028)	(0.045)	(0.112)	(0.309)
Landlocked dummy	-	-0.065*	-0.099**	-0.045	-0.044**	-0.029*	-0.028	0.000	-0.108
		(0.033)	(0.046)	(0.052)	(0.022)	(0.015)	(0.029)	(0.068)	(0.100)
Legal origin dummy	-	0.017	0.020	0.032	0.007	0.019	0.013	0.014	0.055
		(0.033)	(0.071)	(0.056)	(0.026)	(0.015)	(0.030)	(0.051)	(0.081)
Quantitative easing dummy	0.024	0.066	-0.284**	-0.166**	-0.034	0.008	0.135***	0.241***	0.158
	(0.072)	(0.067)	(0.112)	(0.084)	(0.046)	(0.027)	(0.047)	(0.092)	(0.187)
Exchange rate regime	-0.005	-0.003	-0.001	-0.006	-0.003	-0.002	0.001	0.002	-0.004
	(0.008)	(0.004)	(0.009)	(0.006)	(0.003)	(0.002)	(0.003)	(0.007)	(0.011)
Investment profile	-0.003	0.003	0.050**	0.016	0.003	0.002	0.006	-0.016	-0.041
	(0.010)	(0.009)	(0.023)	(0.016)	(0.008)	(0.004)	(0.009)	(0.014)	(0.028)
Constant	-0.579*	-0.171	-1.787**	-0.541	-0.176	-0.033	0.420	0.625	1.148
	(0.339)	(0.277)	(0.727)	(0.463)	(0.161)	(0.138)	(0.273)	(0.580)	(0.805)
R-squared	0.052								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 40:Regression results of internal conflict indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.003	0.003	0.006	0.002	0.000	0.001	0.004	0.012
	(0.003)	(0.003)	(0.007)	(0.004)	(0.002)	(0.002)	(0.002)	(0.005)	(0.009)
Inflation	0.000	0.000	0.003	0.002	0.000	0.000	-0.001	-0.001	-0.003
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.001	0.000	-0.003*	-0.001	-0.001	0.000	0.001	0.003**	0.005***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.001	-0.000	0.007*	0.004	0.001	-0.000	-0.001	-0.007***	-0.008*
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.001)	(0.003)	(0.005)
US GDP per capita growth	-0.019	-0.022*	-0.029	-0.033**	-0.010	-0.007	-0.023**	-0.039**	-0.050
	(0.012)	(0.011)	(0.021)	(0.016)	(0.009)	(0.005)	(0.010)	(0.019)	(0.042)
US central bank policy rate	0.011	0.011	0.042**	0.052***	0.014**	0.010*	-0.002	-0.007	0.036
	(0.011)	(0.011)	(0.018)	(0.015)	(0.007)	(0.005)	(0.008)	(0.019)	(0.030)
US volatility VIX	0.001	0.002	-0.008	-0.003	-0.001	-0.000	-0.002	-0.001	-0.007
	(0.004)	(0.003)	(0.010)	(0.006)	(0.002)	(0.002)	(0.003)	(0.007)	(0.014)
US policy uncertainty	-0.001	-0.001	0.005***	0.003**	0.001	0.000	-0.002***	-0.004**	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
US commodity price	0.021	0.021	0.118***	0.069	0.028**	0.012	0.010	-0.005	-0.016
	(0.016)	(0.016)	(0.044)	(0.049)	(0.014)	(0.012)	(0.018)	(0.023)	(0.062)
Natural resources	0.004	0.005	0.004	0.001	-0.001	-0.001	0.005*	0.013*	-0.001
	(0.005)	(0.004)	(0.010)	(0.005)	(0.004)	(0.003)	(0.003)	(0.007)	(0.012)
Financial openness	0.011	0.008	0.014	-0.002	0.013*	0.010	0.007	0.005	0.004
	(0.021)	(0.012)	(0.019)	(0.015)	(0.008)	(0.007)	(0.011)	(0.017)	(0.019)
Schooling	0.009	0.004	0.015	0.004	0.009*	-0.000	-0.007	0.004	0.009
	(0.019)	(0.009)	(0.017)	(0.009)	(0.005)	(0.003)	(0.006)	(0.011)	(0.023)
Aid flows	0.653	0.690***	1.429**	0.290	0.287	0.117	0.127	-0.084	1.804*
	(0.423)	(0.253)	(0.591)	(0.368)	(0.230)	(0.128)	(0.277)	(0.814)	(1.045)
External debt	-0.009	-0.016	-0.377***	-0.271***	-0.106***	-0.020	0.036	0.190**	0.219
	(0.055)	(0.046)	(0.108)	(0.075)	(0.038)	(0.027)	(0.050)	(0.079)	(0.158)
Infrastructure	0.001	0.002	0.001	-0.010	-0.007	-0.002	0.004	0.009	0.003
	(0.011)	(0.006)	(0.010)	(0.007)	(0.005)	(0.005)	(0.006)	(0.011)	(0.016)
Population growth	0.001	-0.002	0.046	0.010	0.013	-0.006	-0.025	-0.020	-0.069
	(0.029)	(0.025)	(0.035)	(0.021)	(0.019)	(0.014)	(0.021)	(0.037)	(0.069)
Net foreign assets	0.000**	0.000**	0.000	0.000	0.000	0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.111*	0.059	0.270*	0.063	0.026	0.028	-0.021	0.048	-0.067
	(0.058)	(0.048)	(0.142)	(0.072)	(0.037)	(0.030)	(0.037)	(0.106)	(0.129)
Financial crisis dummy	-0.039	-0.034	-0.155*	-0.155*	-0.037	-0.004	0.010	0.062	0.105
	(0.057)	(0.055)	(0.090)	(0.085)	(0.052)	(0.023)	(0.043)	(0.103)	(0.253)
Landlocked dummy	-	-0.068*	-0.077	-0.050	-0.050**	-0.026*	-0.024	0.006	-0.157*
		(0.036)	(0.065)	(0.045)	(0.025)	(0.015)	(0.029)	(0.059)	(0.095)
Legal origin dummy	-	0.013	0.045	-0.015	-0.002	0.014	0.025	0.005	-0.036
		(0.036)	(0.065)	(0.047)	(0.023)	(0.014)	(0.029)	(0.051)	(0.087)
Quantitative easing dummy	0.041	0.071	-0.387***	-0.232**	-0.038	-0.001	0.144***	0.262**	0.164
	(0.071)	(0.067)	(0.115)	(0.092)	(0.044)	(0.034)	(0.051)	(0.112)	(0.169)
Exchange rate regime	-0.005	-0.003	0.001	-0.003	-0.002	-0.002	-0.000	0.002	0.005
	(0.008)	(0.004)	(0.009)	(0.006)	(0.003)	(0.002)	(0.004)	(0.008)	(0.010)
Internal conflict	0.019**	0.017**	0.050**	0.019*	0.008	0.004	0.006	0.009	-0.003
	(0.009)	(0.007)	(0.022)	(0.011)	(0.006)	(0.004)	(0.005)	(0.010)	(0.014)
Constant	-0.708**	-0.342	-2.357***	-0.745	-0.238	-0.114	0.438*	0.267	0.840
	(0.338)	(0.282)	(0.832)	(0.467)	(0.192)	(0.171)	(0.254)	(0.636)	(0.740)
R-squared	0.060								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 41:Regression results of external conflict indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.004	0.007	0.006	0.002	0.000	0.001	0.004	0.013
	(0.003)	(0.003)	(0.005)	(0.004)	(0.002)	(0.002)	(0.002)	(0.005)	(0.009)
Inflation	0.000	0.000	0.001	0.001	-0.000	-0.000	-0.001*	-0.001	-0.001
	(0.001)	(0.001)	(0.004)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.003	-0.001	-0.000	0.000	0.001	0.003**	0.005***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.001	-0.000	0.009**	0.003	0.001	-0.000	-0.001	-0.008***	-0.009*
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.021*	-0.022*	-0.052***	-0.033*	-0.010	-0.009*	-0.026***	-0.036*	-0.044
	(0.012)	(0.012)	(0.019)	(0.019)	(0.009)	(0.005)	(0.007)	(0.020)	(0.042)
US central bank policy rate	0.009	0.011	0.049**	0.043***	0.013*	0.011**	-0.003	-0.004	0.020
	(0.012)	(0.011)	(0.020)	(0.015)	(0.007)	(0.005)	(0.008)	(0.019)	(0.035)
US volatility VIX	0.001	0.002	-0.008	-0.003	-0.001	0.000	-0.002	-0.003	-0.001
	(0.004)	(0.003)	(0.009)	(0.006)	(0.002)	(0.002)	(0.003)	(0.007)	(0.011)
US policy uncertainty	-0.001	-0.001	0.005**	0.003*	0.000	-0.000	-0.002**	-0.003**	-0.003
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.001)	(0.001)	(0.001)	(0.003)
US commodity price	0.022	0.022	0.106**	0.074*	0.030*	0.016	0.014	-0.005	-0.017
	(0.016)	(0.016)	(0.048)	(0.045)	(0.015)	(0.012)	(0.019)	(0.029)	(0.066)
Natural resources	0.004	0.005	-0.001	0.004	-0.001	-0.001	0.005	0.012	-0.000
	(0.005)	(0.004)	(0.010)	(0.008)	(0.003)	(0.003)	(0.003)	(0.008)	(0.009)
Financial openness	0.005	0.008	0.026	0.008	0.009	0.010	0.003	0.002	0.007
	(0.021)	(0.012)	(0.023)	(0.017)	(0.008)	(0.008)	(0.011)	(0.018)	(0.021)
Schooling	0.005	0.005	0.011	0.005	0.006	-0.000	-0.005	0.005	0.011
	(0.019)	(0.009)	(0.016)	(0.009)	(0.005)	(0.004)	(0.005)	(0.011)	(0.022)
Aid flows	0.676	0.702***	1.239*	0.453	0.243	0.175	0.061	-0.058	1.772*
	(0.429)	(0.254)	(0.660)	(0.368)	(0.203)	(0.148)	(0.254)	(0.766)	(0.933)
External debt	-0.014	-0.019	-0.383***	-0.258***	-0.109***	-0.030	0.059	0.189**	0.193
	(0.055)	(0.046)	(0.124)	(0.085)	(0.033)	(0.029)	(0.043)	(0.077)	(0.141)
Infrastructure	0.002	0.004	-0.001	-0.002	-0.006	-0.002	0.005	0.008	0.007
	(0.011)	(0.006)	(0.011)	(0.008)	(0.004)	(0.005)	(0.005)	(0.011)	(0.012)
Population growth	0.001	0.002	0.032	0.025	0.015	-0.007	-0.022	-0.021	-0.032
	(0.029)	(0.025)	(0.033)	(0.024)	(0.018)	(0.016)	(0.021)	(0.032)	(0.059)
Net foreign assets	0.000**	0.000**	0.000	0.000	-0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.113**	0.050	0.104	0.023	0.015	0.015	-0.010	0.034	-0.069
	(0.058)	(0.048)	(0.121)	(0.068)	(0.036)	(0.031)	(0.040)	(0.109)	(0.133)
Financial crisis dummy	-0.033	-0.026	-0.210**	-0.145	-0.041	-0.006	-0.002	0.088	0.074
	(0.056)	(0.055)	(0.086)	(0.095)	(0.051)	(0.023)	(0.043)	(0.107)	(0.291)
Landlocked dummy	-	-0.065*	-0.102*	-0.045	-0.042*	-0.030*	-0.010	-0.001	-0.141
		(0.036)	(0.058)	(0.048)	(0.025)	(0.018)	(0.026)	(0.066)	(0.102)
Legal origin dummy	-	0.018	0.053	0.028	0.011	0.019	0.032	-0.004	-0.023
		(0.036)	(0.076)	(0.048)	(0.026)	(0.016)	(0.027)	(0.044)	(0.090)
Quantitative easing dummy	0.051	0.072	-0.317**	-0.160*	-0.044	0.012	0.160***	0.233**	0.270
	(0.072)	(0.068)	(0.126)	(0.094)	(0.035)	(0.037)	(0.061)	(0.104)	(0.189)
Exchange rate regime	-0.004	-0.004	-0.004	-0.007	-0.002	-0.003	-0.000	0.003	0.004
	(0.008)	(0.004)	(0.009)	(0.005)	(0.003)	(0.002)	(0.004)	(0.007)	(0.010)
External conflict	0.022*	0.010	0.022	0.006	0.003	0.004	0.011	0.014	0.020
	(0.012)	(0.009)	(0.021)	(0.014)	(0.007)	(0.005)	(0.007)	(0.012)	(0.022)
Constant	-0.754**	-0.278	-1.222	-0.452	-0.162	-0.034	0.325	0.254	0.540
	(0.346)	(0.284)	(0.779)	(0.415)	(0.195)	(0.186)	(0.262)	(0.657)	(0.883)
R-squared	0.057								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 42: Regression results of corruption indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.008	0.006*	0.002	0.000	0.001	0.008	0.012
	(0.003)	(0.003)	(0.005)	(0.003)	(0.003)	(0.002)	(0.002)	(0.005)	(0.009)
Inflation	0.000	0.000	-0.000	0.001	-0.000	-0.000	-0.001	-0.002	-0.003
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.003	-0.000	-0.000	0.000	0.001**	0.003***	0.005***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.001	-0.000	0.011***	0.004	0.001	-0.000	-0.001	-0.007***	-0.009**
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.004)
US GDP per capita growth	-0.017	-0.020*	-0.036*	-0.027	-0.009	-0.009*	-0.024***	-0.042**	-0.048
	(0.012)	(0.011)	(0.021)	(0.017)	(0.009)	(0.005)	(0.009)	(0.020)	(0.051)
US central bank policy rate	0.014	0.013	0.054***	0.042***	0.014*	0.011**	-0.001	0.000	0.034
	(0.011)	(0.011)	(0.020)	(0.013)	(0.008)	(0.005)	(0.008)	(0.016)	(0.038)
US volatility VIX	0.001	0.002	-0.009	-0.004	0.000	0.000	-0.000	0.000	-0.008
	(0.004)	(0.004)	(0.008)	(0.006)	(0.003)	(0.002)	(0.003)	(0.007)	(0.013)
US policy uncertainty	-0.001	-0.001	0.006***	0.003*	0.000	-0.000	-0.002**	-0.004**	-0.001
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)
US commodity price	0.021	0.022	0.107**	0.062	0.031**	0.014	0.013	0.001	-0.029
	(0.016)	(0.016)	(0.051)	(0.044)	(0.016)	(0.012)	(0.018)	(0.025)	(0.075)
Natural resources	0.004	0.006	0.005	0.004	-0.000	-0.001	0.006*	0.010	0.001
	(0.005)	(0.004)	(0.009)	(0.006)	(0.003)	(0.003)	(0.003)	(0.007)	(0.009)
Financial openness	0.007	0.008	0.014	0.009	0.008	0.009	0.009	0.008	0.013
	(0.021)	(0.012)	(0.018)	(0.015)	(0.008)	(0.007)	(0.011)	(0.015)	(0.022)
Schooling	0.006	0.003	0.001	0.002	0.005	-0.001	-0.006	0.000	0.003
	(0.019)	(0.009)	(0.019)	(0.010)	(0.005)	(0.004)	(0.005)	(0.011)	(0.018)
Aid flows	0.418	0.677***	1.107*	0.297	0.220	0.098	0.146	-0.113	1.678*
	(0.427)	(0.258)	(0.657)	(0.375)	(0.189)	(0.132)	(0.239)	(0.743)	(0.986)
External debt	-0.016	-0.023	-0.382***	-0.256***	-0.118***	-0.018	0.046	0.195**	0.224
	(0.056)	(0.046)	(0.121)	(0.071)	(0.039)	(0.028)	(0.040)	(0.086)	(0.148)
Infrastructure	0.004	0.004	0.001	-0.005	-0.006	-0.002	0.006	0.011	-0.001
	(0.011)	(0.006)	(0.010)	(0.008)	(0.005)	(0.006)	(0.006)	(0.008)	(0.013)
Population growth	-0.001	0.005	0.016	0.023	0.018	-0.005	-0.022	0.001	-0.069
	(0.030)	(0.025)	(0.042)	(0.026)	(0.018)	(0.016)	(0.020)	(0.035)	(0.066)
Net foreign assets	0.000**	0.000*	0.000	0.000	0.000	0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.110*	0.047	0.095	0.028	0.023	0.011	-0.014	0.043	-0.080
	(0.058)	(0.047)	(0.117)	(0.068)	(0.033)	(0.027)	(0.038)	(0.111)	(0.137)
Financial crisis dummy	-0.026	-0.023	-0.136	-0.105	-0.049	-0.003	-0.003	0.035	0.182
	(0.056)	(0.055)	(0.094)	(0.092)	(0.053)	(0.023)	(0.044)	(0.109)	(0.334)
Landlocked dummy	-	-0.064*	-0.090	-0.042	-0.046*	-0.027*	-0.021	-0.006	-0.155*
		(0.036)	(0.066)	(0.053)	(0.025)	(0.016)	(0.028)	(0.056)	(0.087)
Legal origin dummy	-	0.020	0.100	0.033	0.007	0.019	0.028	0.009	-0.012
		(0.036)	(0.072)	(0.048)	(0.022)	(0.016)	(0.030)	(0.050)	(0.080)
Quantitative easing dummy	0.026	0.064	-0.352***	-0.159	-0.042	0.012	0.140***	0.250**	0.175
	(0.071)	(0.067)	(0.129)	(0.102)	(0.044)	(0.033)	(0.052)	(0.109)	(0.188)
Exchange rate regime	-0.005	-0.004	-0.005	-0.006	-0.002	-0.002	-0.001	0.001	-0.004
	(0.008)	(0.004)	(0.009)	(0.006)	(0.003)	(0.002)	(0.004)	(0.007)	(0.011)
Corruption	0.019	0.007	0.033	0.001	0.006	0.001	0.001	0.022	0.048
	(0.021)	(0.015)	(0.034)	(0.018)	(0.011)	(0.007)	(0.010)	(0.021)	(0.039)
Constant	-0.613*	-0.212	-1.123	-0.432	-0.200	-0.001	0.390*	0.222	0.878
	(0.337)	(0.278)	(0.749)	(0.413)	(0.175)	(0.154)	(0.215)	(0.658)	(0.803)
R-squared	0.053								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 43:Regression results of military in politics indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.012**	0.006	0.003	0.001	0.001	0.003	0.007
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.002)	(0.002)	(0.005)	(0.010)
Inflation	0.000	0.000	0.000	0.001	-0.000	-0.000	-0.001	-0.001	-0.003
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.004	-0.001	-0.000	0.000	0.001**	0.004***	0.005***
	(0.001)	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.000	-0.000	0.011**	0.003	0.002	-0.000	-0.001	-0.008**	-0.006
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.017	-0.020*	-0.040	-0.031**	-0.010	-0.009	-0.023***	-0.037**	-0.040
	(0.012)	(0.011)	(0.025)	(0.015)	(0.010)	(0.006)	(0.008)	(0.018)	(0.041)
US central bank policy rate	0.013	0.013	0.051**	0.044***	0.014*	0.011**	-0.001	0.003	0.040
	(0.011)	(0.011)	(0.024)	(0.014)	(0.007)	(0.005)	(0.009)	(0.016)	(0.034)
US volatility VIX	0.001	0.002	-0.010	-0.003	-0.000	0.000	-0.000	-0.002	-0.006
	(0.004)	(0.003)	(0.009)	(0.006)	(0.002)	(0.002)	(0.003)	(0.006)	(0.013)
US policy uncertainty	-0.001	-0.001	0.006**	0.002	0.000	-0.000	-0.002**	-0.003**	-0.001
	(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
US commodity price	0.022	0.022	0.109**	0.062	0.030**	0.014	0.012	0.010	-0.015
	(0.016)	(0.016)	(0.055)	(0.038)	(0.015)	(0.012)	(0.018)	(0.023)	(0.062)
Natural resources	0.004	0.005	0.005	0.005	-0.000	-0.001	0.006**	0.011	-0.003
	(0.005)	(0.004)	(0.011)	(0.007)	(0.003)	(0.002)	(0.003)	(0.008)	(0.011)
Financial openness	0.008	0.008	0.015	0.002	0.009	0.009	0.008	0.000	0.002
	(0.021)	(0.012)	(0.024)	(0.015)	(0.008)	(0.007)	(0.011)	(0.017)	(0.018)
Schooling	0.005	0.004	0.016	0.004	0.006	-0.000	-0.006	0.002	0.013
	(0.019)	(0.009)	(0.018)	(0.010)	(0.005)	(0.004)	(0.005)	(0.013)	(0.021)
Aid flows	0.495	0.707***	0.912	0.218	0.227	0.105	0.157	0.124	1.882**
	(0.422)	(0.258)	(0.574)	(0.379)	(0.163)	(0.149)	(0.271)	(0.783)	(0.875)
External debt	-0.009	-0.023	-0.335***	-0.239***	-0.108***	-0.019	0.043	0.142*	0.181
	(0.056)	(0.047)	(0.113)	(0.075)	(0.039)	(0.026)	(0.047)	(0.081)	(0.140)
Infrastructure	0.002	0.005	-0.007	-0.006	-0.007	-0.001	0.006	0.009	0.006
	(0.011)	(0.006)	(0.011)	(0.007)	(0.005)	(0.005)	(0.006)	(0.009)	(0.011)
Population growth	0.006	0.006	0.019	0.027	0.015	-0.004	-0.022	-0.030	-0.064
	(0.029)	(0.025)	(0.042)	(0.026)	(0.018)	(0.015)	(0.019)	(0.033)	(0.050)
Net foreign assets	0.000**	0.000*	0.000	0.000	-0.000	0.000	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.113*	0.048	0.117	0.007	0.025	0.014	-0.016	0.011	-0.038
	(0.059)	(0.048)	(0.150)	(0.062)	(0.031)	(0.026)	(0.040)	(0.116)	(0.111)
Financial crisis dummy	-0.023	-0.023	-0.142	-0.144	-0.051	-0.004	-0.000	0.057	0.071
	(0.056)	(0.055)	(0.101)	(0.090)	(0.056)	(0.029)	(0.043)	(0.090)	(0.303)
Landlocked dummy	-	-0.065*	-0.092	-0.038	-0.048**	-0.026	-0.020	0.010	-0.162*
		(0.037)	(0.060)	(0.046)	(0.022)	(0.016)	(0.028)	(0.056)	(0.094)
Legal origin dummy	-	0.019	0.037	0.011	0.005	0.016	0.028	0.024	-0.025
		(0.038)	(0.094)	(0.049)	(0.031)	(0.017)	(0.032)	(0.055)	(0.083)
Quantitative easing dummy	0.026	0.060	-0.380**	-0.147	-0.051	0.015	0.135**	0.205*	0.100
	(0.072)	(0.067)	(0.151)	(0.101)	(0.039)	(0.032)	(0.056)	(0.104)	(0.204)
Exchange rate regime	-0.005	-0.003	-0.003	-0.005	-0.002	-0.002	-0.000	0.001	0.003
	(0.008)	(0.004)	(0.010)	(0.006)	(0.003)	(0.002)	(0.004)	(0.006)	(0.011)
Military in politics	0.000	-0.001	0.015	0.012	0.002	0.001	-0.001	-0.020	-0.021
	(0.017)	(0.010)	(0.042)	(0.017)	(0.007)	(0.005)	(0.008)	(0.016)	(0.022)
Constant	-0.591*	-0.209	-1.243	-0.345	-0.199	-0.018	0.398	0.528	0.584
	(0.336)	(0.278)	(0.875)	(0.366)	(0.168)	(0.151)	(0.262)	(0.638)	(0.685)
R-squared	0.052								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 44:Regression results of religious tensions indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.004	0.006	0.002	0.001	0.001	0.006	0.009
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.002)	(0.002)	(0.005)	(0.010)
Inflation	0.000	0.000	-0.001	0.001	-0.000	-0.000	-0.001*	-0.002	0.000
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.003	-0.000	-0.000	0.000	0.001*	0.003**	0.004***
	(0.001)	(0.001)	(0.003)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.000	-0.000	0.010**	0.004	0.001	-0.000	-0.001	-0.008***	-0.007
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.016	-0.020*	-0.041**	-0.028	-0.009	-0.008	-0.019**	-0.040*	-0.056
	(0.012)	(0.011)	(0.020)	(0.018)	(0.009)	(0.005)	(0.009)	(0.020)	(0.044)
US central bank policy rate	0.012	0.013	0.056***	0.042***	0.014**	0.010*	0.002	0.001	0.028
	(0.011)	(0.011)	(0.018)	(0.014)	(0.006)	(0.005)	(0.008)	(0.018)	(0.030)
US volatility VIX	0.001	0.002	-0.009	-0.004	-0.000	0.000	-0.002	0.002	-0.004
	(0.004)	(0.003)	(0.009)	(0.006)	(0.002)	(0.002)	(0.003)	(0.006)	(0.012)
US policy uncertainty	-0.001	-0.001	0.006***	0.003*	0.000	-0.000	-0.001**	-0.004**	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
US commodity price	0.022	0.022	0.094**	0.072	0.028*	0.015	0.014	0.002	-0.018
	(0.016)	(0.016)	(0.047)	(0.048)	(0.017)	(0.011)	(0.020)	(0.022)	(0.060)
Natural resources	0.004	0.006	0.004	0.004	0.000	-0.001	0.006	0.013*	-0.003
	(0.005)	(0.004)	(0.010)	(0.006)	(0.003)	(0.003)	(0.004)	(0.007)	(0.009)
Financial openness	0.007	0.008	0.019	0.009	0.010	0.009	0.007	0.009	0.007
	(0.021)	(0.012)	(0.017)	(0.014)	(0.009)	(0.006)	(0.012)	(0.015)	(0.020)
Schooling	0.004	0.002	0.001	0.002	0.004	-0.002	-0.010	-0.002	-0.008
	(0.019)	(0.009)	(0.017)	(0.011)	(0.006)	(0.004)	(0.006)	(0.011)	(0.018)
Aid flows	0.490	0.640**	1.154**	0.304	0.224	0.093	-0.019	-0.265	1.728*
	(0.419)	(0.258)	(0.550)	(0.388)	(0.243)	(0.138)	(0.275)	(0.830)	(0.969)
External debt	-0.004	-0.025	-0.382***	-0.257***	-0.112**	-0.026	0.062	0.187**	0.156
	(0.056)	(0.045)	(0.108)	(0.077)	(0.043)	(0.028)	(0.046)	(0.088)	(0.132)
Infrastructure	0.004	0.005	0.003	-0.004	-0.006	-0.002	0.007	0.009	0.002
	(0.012)	(0.006)	(0.011)	(0.008)	(0.006)	(0.005)	(0.006)	(0.009)	(0.012)
Population growth	0.005	0.006	0.052	0.025	0.012	-0.005	-0.018	-0.008	-0.091
	(0.029)	(0.024)	(0.038)	(0.028)	(0.020)	(0.014)	(0.022)	(0.034)	(0.060)
Net foreign assets	0.000**	0.000*	0.000	0.000	0.000	0.000	0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.118**	0.039	0.152	0.028	0.025	0.019	-0.012	0.059	-0.105
	(0.058)	(0.046)	(0.112)	(0.058)	(0.034)	(0.028)	(0.042)	(0.119)	(0.116)
Financial crisis dummy	-0.022	-0.022	-0.130	-0.105	-0.038	-0.008	0.026	0.045	0.073
	(0.056)	(0.055)	(0.099)	(0.089)	(0.055)	(0.026)	(0.045)	(0.119)	(0.322)
Landlocked dummy	-	-0.063*	-0.072	-0.044	-0.046*	-0.030*	-0.017	-0.007	-0.144*
		(0.034)	(0.052)	(0.047)	(0.027)	(0.018)	(0.032)	(0.060)	(0.074)
Legal origin dummy	-	0.018	0.116*	0.034	0.012	0.017	0.031	0.021	-0.008
		(0.033)	(0.069)	(0.048)	(0.024)	(0.017)	(0.031)	(0.050)	(0.074)
Quantitative easing dummy	0.027	0.063	-0.337***	-0.163*	-0.047	0.003	0.120**	0.230**	0.208
	(0.071)	(0.067)	(0.126)	(0.086)	(0.049)	(0.035)	(0.048)	(0.109)	(0.166)
Exchange rate regime	-0.005	-0.003	-0.001	-0.006	-0.002	-0.002	0.001	0.003	-0.002
	(0.008)	(0.004)	(0.007)	(0.005)	(0.003)	(0.002)	(0.003)	(0.006)	(0.010)
Religious tensions	-0.008	0.007	0.039	0.000	0.003	0.004	0.014**	0.017	0.027
	(0.018)	(0.010)	(0.024)	(0.015)	(0.006)	(0.006)	(0.007)	(0.014)	(0.020)
Constant	-0.576*	-0.168	-1.573**	-0.428	-0.174	-0.047	0.303	0.158	1.130
	(0.338)	(0.271)	(0.708)	(0.364)	(0.174)	(0.145)	(0.244)	(0.683)	(0.733)
R-squared	0.052								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 45: Regression results of law and order indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.008	0.006	0.002	0.000	0.001	0.006	0.008
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.002)	(0.002)	(0.005)	(0.011)
Inflation	0.000	0.000	-0.001	0.001	-0.000	-0.000	-0.001	-0.002	-0.003
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.002	-0.000	-0.000	0.000	0.001**	0.004***	0.005***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.000	-0.000	0.011***	0.004	0.001	-0.000	-0.001	-0.008***	-0.007
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.016	-0.020*	-0.042**	-0.028*	-0.012	-0.009*	-0.024**	-0.041**	-0.032
	(0.012)	(0.011)	(0.020)	(0.014)	(0.009)	(0.005)	(0.010)	(0.020)	(0.042)
US central bank policy rate	0.013	0.013	0.067***	0.042***	0.016*	0.009*	-0.002	-0.001	0.027
	(0.011)	(0.011)	(0.019)	(0.012)	(0.008)	(0.006)	(0.008)	(0.018)	(0.033)
US volatility VIX	0.001	0.002	-0.011	-0.004	0.000	0.000	-0.000	-0.001	-0.007
	(0.004)	(0.003)	(0.007)	(0.006)	(0.002)	(0.002)	(0.003)	(0.006)	(0.009)
US policy uncertainty	-0.001	-0.001	0.006***	0.003*	0.001	-0.000	-0.002***	-0.004**	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
US commodity price	0.022	0.022	0.126**	0.071*	0.030**	0.015	0.015	0.004	-0.010
	(0.016)	(0.016)	(0.054)	(0.042)	(0.013)	(0.009)	(0.019)	(0.025)	(0.049)
Natural resources	0.004	0.005	0.005	0.004	-0.000	-0.001	0.006*	0.011	-0.002
	(0.005)	(0.004)	(0.009)	(0.005)	(0.003)	(0.003)	(0.003)	(0.007)	(0.012)
Financial openness	0.008	0.008	0.014	0.009	0.008	0.009	0.008	0.005	0.012
	(0.021)	(0.012)	(0.021)	(0.016)	(0.008)	(0.007)	(0.011)	(0.015)	(0.020)
Schooling	0.005	0.004	0.012	0.002	0.006	-0.001	-0.006	0.004	0.013
	(0.019)	(0.009)	(0.016)	(0.010)	(0.004)	(0.003)	(0.005)	(0.011)	(0.019)
Aid flows	0.487	0.702***	1.220**	0.272	0.265	0.098	0.151	-0.117	1.844
	(0.423)	(0.257)	(0.565)	(0.366)	(0.182)	(0.148)	(0.257)	(0.845)	(1.147)
External debt	-0.008	-0.023	-0.361***	-0.255***	-0.116***	-0.023	0.049	0.197**	0.221
	(0.055)	(0.047)	(0.120)	(0.063)	(0.040)	(0.031)	(0.045)	(0.094)	(0.141)
Infrastructure	0.002	0.004	-0.003	-0.005	-0.006	-0.001	0.005	0.009	-0.003
	(0.011)	(0.006)	(0.012)	(0.008)	(0.006)	(0.005)	(0.006)	(0.009)	(0.013)
Population growth	0.007	0.006	0.018	0.025	0.017	-0.001	-0.024	-0.011	-0.079
	(0.029)	(0.025)	(0.028)	(0.024)	(0.021)	(0.015)	(0.019)	(0.036)	(0.056)
Net foreign assets	0.000**	0.000*	0.000	0.000	0.000	0.000	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.113*	0.049	0.085	0.028	0.032	0.023	-0.013	0.039	-0.040
	(0.058)	(0.048)	(0.112)	(0.068)	(0.035)	(0.025)	(0.040)	(0.111)	(0.139)
Financial crisis dummy	-0.023	-0.023	-0.105	-0.102	-0.068	-0.006	0.000	0.048	0.224
	(0.056)	(0.055)	(0.088)	(0.083)	(0.048)	(0.023)	(0.043)	(0.100)	(0.282)
Landlocked dummy	-	-0.066*	-0.103**	-0.042	-0.045*	-0.028*	-0.022	-0.003	-0.190*
		(0.037)	(0.052)	(0.049)	(0.024)	(0.015)	(0.029)	(0.063)	(0.100)
Legal origin dummy	-	0.018	0.068	0.034	0.004	0.011	0.024	0.020	-0.014
		(0.037)	(0.082)	(0.053)	(0.027)	(0.019)	(0.029)	(0.052)	(0.076)
Quantitative easing dummy	0.026	0.061	-0.387***	-0.164*	-0.060	0.007	0.142***	0.236**	0.096
	(0.071)	(0.067)	(0.113)	(0.097)	(0.044)	(0.034)	(0.053)	(0.106)	(0.165)
Exchange rate regime	-0.005	-0.003	-0.000	-0.006	-0.002	-0.002	-0.000	0.002	0.001
	(0.008)	(0.004)	(0.009)	(0.006)	(0.003)	(0.002)	(0.003)	(0.007)	(0.012)
Law and order	-0.003	0.001	-0.015	0.002	0.007	0.004	0.003	-0.003	-0.028
	(0.024)	(0.014)	(0.021)	(0.015)	(0.007)	(0.006)	(0.011)	(0.018)	(0.029)
Constant	-0.580*	-0.216	-1.041	-0.433	-0.271	-0.074	0.387*	0.302	0.801
	(0.346)	(0.287)	(0.638)	(0.421)	(0.188)	(0.156)	(0.233)	(0.677)	(0.828)
R-squared	0.052								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 46: Regression results of ethnic tensions indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.011*	0.004	0.002	0.000	0.002	0.005	0.006
	(0.003)	(0.003)	(0.006)	(0.004)	(0.003)	(0.002)	(0.002)	(0.005)	(0.009)
Inflation	0.000	-0.000	-0.001	0.001	-0.000	-0.000	-0.001	-0.002	-0.003
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.002	-0.001	-0.000	0.000	0.001**	0.003***	0.005***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.000	-0.000	0.010**	0.003	0.002*	-0.000	-0.001	-0.007***	-0.006
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.016	-0.019*	-0.045**	-0.028*	-0.008	-0.009*	-0.021**	-0.033	-0.018
	(0.012)	(0.011)	(0.021)	(0.016)	(0.010)	(0.005)	(0.009)	(0.022)	(0.035)
US central bank policy rate	0.012	0.012	0.063***	0.042**	0.011	0.011*	-0.001	-0.004	0.015
	(0.011)	(0.011)	(0.021)	(0.016)	(0.008)	(0.006)	(0.008)	(0.016)	(0.035)
US volatility VIX	0.001	0.002	-0.012	-0.002	0.001	-0.000	-0.001	-0.000	-0.004
	(0.004)	(0.003)	(0.009)	(0.006)	(0.002)	(0.002)	(0.003)	(0.005)	(0.010)
US policy uncertainty	-0.001	-0.001	0.006***	0.003*	0.000	-0.000	-0.002***	-0.004**	-0.002
	(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
US commodity price	0.022	0.023	0.125**	0.078	0.033*	0.013	0.009	0.005	-0.015
	(0.016)	(0.016)	(0.053)	(0.049)	(0.018)	(0.012)	(0.020)	(0.024)	(0.056)
Natural resources	0.004	0.005	0.006	0.002	-0.001	-0.001	0.006*	0.013**	-0.003
	(0.005)	(0.004)	(0.009)	(0.006)	(0.003)	(0.002)	(0.003)	(0.007)	(0.011)
Financial openness	0.009	0.010	0.012	0.004	0.013	0.009	0.009	0.004	0.018
	(0.021)	(0.012)	(0.022)	(0.016)	(0.008)	(0.006)	(0.009)	(0.019)	(0.023)
Schooling	0.005	0.004	0.018	0.006	0.005	-0.000	-0.006	0.005	0.014
	(0.019)	(0.009)	(0.017)	(0.010)	(0.004)	(0.004)	(0.006)	(0.011)	(0.019)
Aid flows	0.467	0.751***	1.016	0.494	0.295	0.089	0.181	-0.032	1.926*
	(0.422)	(0.258)	(0.630)	(0.435)	(0.181)	(0.159)	(0.276)	(0.827)	(1.021)
External debt	-0.008	-0.028	-0.350***	-0.262***	-0.109***	-0.017	0.047	0.161	0.210
	(0.055)	(0.047)	(0.110)	(0.073)	(0.033)	(0.032)	(0.044)	(0.101)	(0.131)
Infrastructure	0.003	0.006	-0.009	0.002	-0.004	-0.002	0.007	0.011	0.001
	(0.011)	(0.006)	(0.012)	(0.008)	(0.004)	(0.005)	(0.006)	(0.010)	(0.014)
Population growth	0.006	0.005	0.013	0.037	0.014	-0.003	-0.023	-0.013	-0.071
	(0.029)	(0.025)	(0.040)	(0.029)	(0.018)	(0.014)	(0.019)	(0.043)	(0.062)
Net foreign assets	0.000**	0.000*	0.000	0.000	-0.000	0.000	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.114**	0.044	0.078	0.025	0.018	0.014	-0.020	0.044	-0.007
	(0.058)	(0.048)	(0.140)	(0.071)	(0.033)	(0.025)	(0.038)	(0.105)	(0.138)
Financial crisis dummy	-0.021	-0.022	-0.097	-0.153*	-0.055	-0.002	0.014	0.043	0.185
	(0.056)	(0.055)	(0.085)	(0.083)	(0.058)	(0.024)	(0.048)	(0.087)	(0.224)
Landlocked dummy	-	-0.060	-0.092	-0.041	-0.048**	-0.028	-0.016	0.003	-0.199**
		(0.037)	(0.057)	(0.051)	(0.024)	(0.019)	(0.029)	(0.061)	(0.091)
Legal origin dummy	-	0.015	0.026	0.035	0.012	0.019	0.028	-0.017	-0.033
		(0.036)	(0.076)	(0.046)	(0.026)	(0.016)	(0.027)	(0.063)	(0.088)
Quantitative easing dummy	0.032	0.064	-0.381***	-0.174*	-0.035	0.009	0.133***	0.235**	0.153
	(0.072)	(0.067)	(0.139)	(0.106)	(0.048)	(0.031)	(0.048)	(0.108)	(0.185)
Exchange rate regime	-0.005	-0.003	0.001	-0.005	-0.004	-0.002	-0.000	0.003	0.002
	(0.008)	(0.004)	(0.009)	(0.005)	(0.003)	(0.002)	(0.003)	(0.008)	(0.009)
Ethnic tensions	-0.010	-0.012	-0.006	-0.018	-0.011	0.001	-0.003	-0.020	-0.034
	(0.020)	(0.013)	(0.034)	(0.020)	(0.010)	(0.008)	(0.011)	(0.025)	(0.030)
Constant	-0.547	-0.147	-1.020	-0.420	-0.119	-0.024	0.411	0.358	0.591
	(0.347)	(0.283)	(0.837)	(0.434)	(0.185)	(0.150)	(0.250)	(0.680)	(0.848)
R-squared	0.052								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 47:Regression results of democratic accountability indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.004	0.008*	0.006	0.003	0.001	0.001	0.006	0.011
	(0.003)	(0.003)	(0.004)	(0.004)	(0.002)	(0.002)	(0.002)	(0.006)	(0.009)
Inflation	0.000	0.000	0.001	0.002	-0.000	-0.000	-0.001	-0.002	-0.003
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.003	-0.001	-0.000	0.000	0.001**	0.004***	0.005***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.000)	(0.001)	(0.002)
Gross capital formation	-0.000	-0.000	0.008**	0.003	0.001	-0.000	-0.001	-0.008***	-0.008
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.001)	(0.002)	(0.005)
US GDP per capita growth	-0.016	-0.020*	-0.036*	-0.030**	-0.010	-0.011**	-0.024***	-0.044**	-0.043
	(0.012)	(0.011)	(0.022)	(0.013)	(0.009)	(0.005)	(0.009)	(0.021)	(0.039)
US central bank policy rate	0.012	0.012	0.060***	0.045***	0.014*	0.010*	0.001	0.001	0.034
	(0.011)	(0.011)	(0.019)	(0.013)	(0.009)	(0.006)	(0.007)	(0.017)	(0.031)
US volatility VIX	0.002	0.002	-0.007	-0.002	-0.000	0.000	-0.001	-0.001	-0.007
	(0.004)	(0.003)	(0.008)	(0.006)	(0.002)	(0.002)	(0.002)	(0.007)	(0.011)
US policy uncertainty	-0.001	-0.001	0.005***	0.003*	0.001	-0.000	-0.002**	-0.004***	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)
US commodity price	0.022	0.022	0.109**	0.056	0.025	0.015	0.012	0.005	-0.013
	(0.016)	(0.016)	(0.054)	(0.044)	(0.017)	(0.011)	(0.015)	(0.024)	(0.060)
Natural resources	0.004	0.005	0.002	0.002	-0.001	-0.001	0.006*	0.011*	-0.001
	(0.005)	(0.004)	(0.008)	(0.006)	(0.004)	(0.002)	(0.003)	(0.006)	(0.010)
Financial openness	0.009	0.008	0.013	0.000	0.009	0.009	0.008	0.007	0.002
	(0.021)	(0.012)	(0.018)	(0.015)	(0.008)	(0.006)	(0.013)	(0.017)	(0.022)
Schooling	0.005	0.004	0.009	0.007	0.007	0.000	-0.006	0.004	0.008
	(0.019)	(0.009)	(0.014)	(0.009)	(0.005)	(0.003)	(0.004)	(0.012)	(0.022)
Aid flows	0.559	0.699***	1.334**	0.208	0.220	0.138	0.191	-0.079	1.847*
	(0.429)	(0.256)	(0.629)	(0.362)	(0.208)	(0.126)	(0.230)	(0.742)	(1.091)
External debt	-0.006	-0.018	-0.305***	-0.256***	-0.111***	-0.016	0.043	0.206**	0.217
	(0.055)	(0.048)	(0.105)	(0.073)	(0.043)	(0.028)	(0.045)	(0.093)	(0.158)
Infrastructure	0.003	0.005	0.007	-0.005	-0.006	-0.001	0.005	0.009	0.005
	(0.011)	(0.006)	(0.010)	(0.007)	(0.004)	(0.004)	(0.007)	(0.009)	(0.015)
Population growth	0.003	0.005	0.037	0.024	0.016	-0.007	-0.024	-0.014	-0.066
	(0.030)	(0.025)	(0.037)	(0.025)	(0.018)	(0.014)	(0.021)	(0.036)	(0.058)
Net foreign assets	0.000**	0.000*	0.000	0.000*	0.000	0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.110*	0.049	0.147	0.009	0.020	0.010	-0.018	0.035	-0.075
	(0.058)	(0.048)	(0.108)	(0.064)	(0.037)	(0.027)	(0.042)	(0.105)	(0.115)
Financial crisis dummy	-0.026	-0.023	-0.145*	-0.151*	-0.057	-0.009	-0.003	0.044	0.127
	(0.056)	(0.055)	(0.083)	(0.079)	(0.051)	(0.021)	(0.042)	(0.114)	(0.280)
Landlocked dummy	-	-0.064*	-0.048	-0.020	-0.042	-0.026**	-0.022	-0.008	-0.156
		(0.037)	(0.065)	(0.048)	(0.027)	(0.013)	(0.030)	(0.058)	(0.119)
Legal origin dummy	-	0.016	0.091	0.002	0.004	0.017	0.030	0.027	-0.030
		(0.037)	(0.072)	(0.056)	(0.027)	(0.016)	(0.024)	(0.063)	(0.091)
Quantitative easing dummy	0.031	0.062	-0.306***	-0.171*	-0.054	0.023	0.130***	0.246**	0.183
	(0.072)	(0.067)	(0.108)	(0.094)	(0.048)	(0.035)	(0.048)	(0.101)	(0.172)
Exchange rate regime	-0.003	-0.003	-0.002	-0.004	-0.002	-0.002	-0.000	0.000	0.005
	(0.008)	(0.004)	(0.009)	(0.005)	(0.003)	(0.002)	(0.004)	(0.007)	(0.010)
Democratic accountability	0.012	0.005	0.050**	0.018	0.008	0.005	0.003	0.001	-0.002
	(0.017)	(0.013)	(0.025)	(0.017)	(0.009)	(0.007)	(0.010)	(0.019)	(0.032)
Constant	-0.624*	-0.227	-1.535**	-0.405	-0.195	-0.005	0.388	0.325	0.823
	(0.339)	(0.281)	(0.722)	(0.407)	(0.179)	(0.165)	(0.266)	(0.623)	(0.709)
R-squared	0.052								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 48: Regression results of democratic accountability indicator effect on bank inflows along with additional control variables

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.010*	0.006	0.000	0.000	0.001	0.003	0.012
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.002)	(0.002)	(0.005)	(0.009)
Inflation	0.000	0.000	-0.001	0.000	0.000	-0.000	-0.001	-0.001	-0.003
	(0.001)	(0.001)	(0.003)	(0.001)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.003	-0.001	-0.000	0.000	0.001**	0.003***	0.005***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.000	-0.000	0.009**	0.004	0.002	-0.000	-0.001	-0.008***	-0.008
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.016	-0.020*	-0.039*	-0.029*	-0.010	-0.007	-0.022**	-0.045**	-0.046
	(0.012)	(0.011)	(0.021)	(0.016)	(0.010)	(0.005)	(0.009)	(0.019)	(0.045)
US central bank policy rate	0.013	0.012	0.067***	0.043***	0.018**	0.010*	-0.002	-0.001	0.031
	(0.011)	(0.011)	(0.021)	(0.014)	(0.007)	(0.005)	(0.008)	(0.016)	(0.033)
US volatility VIX	0.001	0.002	-0.007	-0.002	-0.000	-0.000	-0.001	-0.000	-0.005
	(0.004)	(0.004)	(0.008)	(0.005)	(0.002)	(0.002)	(0.003)	(0.005)	(0.012)
US policy uncertainty	-0.001	-0.001	0.005***	0.003*	0.001	-0.000	-0.002***	-0.004**	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.003)
US commodity price	0.022	0.022	0.127**	0.069*	0.030	0.013	0.016	0.011	-0.013
	(0.016)	(0.016)	(0.056)	(0.042)	(0.018)	(0.012)	(0.020)	(0.026)	(0.067)
Natural resources	0.004	0.005	0.001	0.002	-0.000	-0.001	0.006*	0.012	-0.001
	(0.005)	(0.004)	(0.010)	(0.006)	(0.003)	(0.003)	(0.004)	(0.007)	(0.009)
Financial openness	0.008	0.009	0.016	0.006	0.014*	0.010	0.010	0.014	-0.000
	(0.021)	(0.012)	(0.018)	(0.017)	(0.007)	(0.006)	(0.011)	(0.016)	(0.023)
Schooling	0.006	0.005	0.007	0.006	0.007*	0.001	-0.002	0.003	0.007
	(0.019)	(0.009)	(0.017)	(0.008)	(0.004)	(0.005)	(0.006)	(0.012)	(0.023)
Aid flows	0.497	0.697***	1.348**	0.245	0.250	0.140	0.077	-0.215	1.757*
	(0.419)	(0.242)	(0.675)	(0.332)	(0.167)	(0.123)	(0.279)	(0.769)	(0.977)
External debt	-0.012	-0.023	-0.443***	-0.228***	-0.134***	-0.038	0.053	0.186**	0.228
	(0.056)	(0.045)	(0.099)	(0.072)	(0.042)	(0.029)	(0.040)	(0.084)	(0.145)
Infrastructure	0.002	0.005	-0.001	-0.003	-0.003	0.001	0.006	0.008	0.005
	(0.011)	(0.006)	(0.009)	(0.007)	(0.005)	(0.005)	(0.006)	(0.008)	(0.015)
Population growth	0.004	0.006	0.029	0.034	0.026	-0.002	-0.023	-0.025	-0.067
	(0.030)	(0.024)	(0.042)	(0.028)	(0.017)	(0.014)	(0.021)	(0.032)	(0.061)
Net foreign assets	0.000**	0.000*	0.000	0.000	-0.000	0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.113*	0.041	0.123	0.048	0.033	0.005	-0.028	0.016	-0.070
	(0.058)	(0.047)	(0.144)	(0.058)	(0.029)	(0.032)	(0.038)	(0.105)	(0.125)
Financial crisis dummy	-0.026	-0.022	-0.176**	-0.140*	-0.078	-0.001	0.021	0.045	0.110
	(0.057)	(0.055)	(0.089)	(0.085)	(0.050)	(0.024)	(0.047)	(0.096)	(0.280)
Landlocked dummy	-	-0.066**	-0.115*	-0.038	-0.048**	-0.032**	-0.020	-0.003	-0.136
		(0.033)	(0.062)	(0.042)	(0.020)	(0.016)	(0.030)	(0.069)	(0.088)
Legal origin dummy	-	0.019	0.060	0.047	0.016	0.016	0.037	0.013	-0.046
		(0.033)	(0.075)	(0.056)	(0.022)	(0.018)	(0.029)	(0.046)	(0.075)
Quantitative easing dummy	0.025	0.062	-0.396***	-0.194**	-0.078*	0.009	0.145***	0.244***	0.221
	(0.071)	(0.067)	(0.132)	(0.095)	(0.043)	(0.033)	(0.043)	(0.087)	(0.201)
Exchange rate regime	-0.005	-0.003	-0.005	-0.005	-0.002	-0.001	-0.001	0.002	0.006
	(0.008)	(0.004)	(0.008)	(0.006)	(0.003)	(0.002)	(0.004)	(0.008)	(0.012)
Bureaucracy quality	0.012	-0.009	0.048	-0.021	-0.026*	-0.018*	-0.016	-0.025	0.008
	(0.026)	(0.018)	(0.062)	(0.029)	(0.015)	(0.011)	(0.017)	(0.040)	(0.050)
Constant	-0.611*	-0.161	-1.213	-0.556	-0.264*	0.048	0.470**	0.494	0.779
	(0.339)	(0.271)	(0.823)	(0.362)	(0.158)	(0.168)	(0.214)	(0.611)	(0.832)
R-squared	0.052								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses. Standard errors for the quantile regressions are obtained using 1000 bootstrap replications. The estimated models are free from autocorrelations.

Table E2- 49: Regression results of government stability indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	-0.005	0.047	-0.003	0.023	0.051***	0.074***	0.070*	0.029	0.020
	(0.040)	(0.040)	(0.031)	(0.021)	(0.017)	(0.027)	(0.040)	(0.060)	(0.059)
Inflation	0.009	0.012	0.008	0.005	0.003	0.002	0.011	0.015	0.018
	(0.014)	(0.013)	(0.008)	(0.005)	(0.006)	(0.006)	(0.008)	(0.023)	(0.023)
Trade openness	0.033**	0.033***	-0.001	0.004	0.011**	0.017***	0.031***	0.065***	0.065**
	(0.017)	(0.009)	(0.009)	(0.006)	(0.005)	(0.005)	(0.008)	(0.017)	(0.028)
Gross capital formation	0.146***	0.062***	-0.007	-0.010	-0.007	0.005	0.047	0.115*	0.154*
	(0.031)	(0.024)	(0.017)	(0.011)	(0.012)	(0.017)	(0.031)	(0.068)	(0.090)
US GDP per capita growth	-0.046	-0.171	-0.154*	-0.169**	-0.112	-0.220**	-0.132	-0.019	0.091
	(0.144)	(0.147)	(0.089)	(0.071)	(0.070)	(0.105)	(0.201)	(0.347)	(0.424)
US central bank policy rate	-0.055	-0.008	0.019	0.075	0.055	0.103	0.066	-0.413	-0.565
	(0.134)	(0.142)	(0.095)	(0.063)	(0.060)	(0.079)	(0.165)	(0.299)	(0.354)
US volatility VIX	-0.049	-0.017	-0.073**	-0.034	-0.039*	-0.036	-0.055	-0.139	-0.163
	(0.049)	(0.050)	(0.033)	(0.021)	(0.022)	(0.036)	(0.058)	(0.104)	(0.219)
US policy uncertainty	-0.010	-0.017	0.003	-0.001	-0.001	-0.003	0.001	-0.025	-0.030
	(0.012)	(0.012)	(0.009)	(0.006)	(0.006)	(0.007)	(0.010)	(0.016)	(0.040)
US commodity price	-0.217	-0.105	-0.150	-0.026	0.046	-0.000	0.018	-0.347	-0.194
	(0.193)	(0.205)	(0.214)	(0.091)	(0.070)	(0.095)	(0.167)	(0.306)	(0.589)
Natural resources	0.003	0.031	0.096*	0.104***	0.039	0.045	0.064*	0.011	0.003
	(0.054)	(0.055)	(0.049)	(0.032)	(0.026)	(0.039)	(0.039)	(0.083)	(0.112)
Financial openness	-0.017	-0.006	0.192	0.104	0.134	0.362***	0.375	0.311	0.382
	(0.379)	(0.261)	(0.228)	(0.157)	(0.140)	(0.129)	(0.241)	(0.448)	(0.988)
Schooling	0.250	-0.336***	-0.241***	-0.208***	-0.204***	-0.183***	-0.318***	-0.481**	-0.811***
	(0.228)	(0.110)	(0.078)	(0.049)	(0.056)	(0.068)	(0.121)	(0.199)	(0.283)
Aid flows	-11.534**	6.793*	1.600	1.099	1.131	0.346	0.355	4.839	8.042
	(5.156)	(3.647)	(1.873)	(1.480)	(1.683)	(1.858)	(4.962)	(10.645)	(22.566)
External debt	-0.094	-0.725	-0.507	-0.521	-0.476	-0.167	-0.156	0.754	-0.241
	(0.658)	(0.576)	(0.504)	(0.373)	(0.300)	(0.341)	(0.562)	(0.766)	(1.333)
Infrastructure	-0.197	-0.113	-0.029	-0.009	0.042	-0.026	-0.047	0.054	0.193
	(0.134)	(0.077)	(0.055)	(0.030)	(0.040)	(0.055)	(0.077)	(0.113)	(0.167)
Population growth	-0.547	0.313	-0.364*	-0.157	-0.106	0.250	0.557**	0.611	0.519
	(0.353)	(0.318)	(0.220)	(0.179)	(0.151)	(0.174)	(0.282)	(0.562)	(0.786)
Net foreign assets	0.000	0.000	0.000	0.000	0.000	-0.000	0.000	-0.001	0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.721	-1.627***	-0.683	-0.511*	-0.473	-0.349	-1.168*	-1.689	-2.695*
	(0.690)	(0.596)	(0.450)	(0.283)	(0.313)	(0.351)	(0.642)	(1.196)	(1.546)
Financial crisis dummy	1.428**	1.599**	0.539	0.359	0.546	0.631	2.574**	7.006**	8.740**
	(0.670)	(0.695)	(0.334)	(0.272)	(0.360)	(0.645)	(1.256)	(3.020)	(3.550)
Landlocked dummy	-	2.382	-0.813	-1.079	0.093	0.619	1.918	4.710	5.548
		(1.660)	(1.044)	(0.729)	(0.729)	(0.798)	(1.370)	(2.926)	(3.434)
Legal origin dummy	-	-1.879	-1.451	-0.992	-0.935	-1.172	-2.296*	-2.550	-5.955
		(1.545)	(1.165)	(0.712)	(0.618)	(0.968)	(1.259)	(2.829)	(3.746)
Quantitative easing dummy	2.577***	3.738***	1.437***	1.275***	0.745**	1.151**	1.784*	6.455***	8.863**
	(0.864)	(0.849)	(0.529)	(0.373)	(0.361)	(0.531)	(0.988)	(2.280)	(4.236)
Exchange rate regime	0.074	0.141***	0.052	0.061**	0.027	0.028	0.080*	0.144*	0.282**
	(0.093)	(0.048)	(0.032)	(0.024)	(0.026)	(0.028)	(0.046)	(0.084)	(0.129)
Government stability	0.488***	0.659***	0.284**	0.201***	0.194***	0.333***	0.494***	0.804***	0.796**
	(0.136)	(0.132)	(0.127)	(0.075)	(0.068)	(0.081)	(0.139)	(0.214)	(0.315)
Aid flow*GOVST	-0.066	-0.000	0.040	0.047**	0.044*	-0.050	-0.014	0.017	-0.006
	(0.068)	(0.058)	(0.030)	(0.022)	(0.025)	(0.042)	(0.066)	(0.140)	(0.151)
Financial openness*GOVST	0.052	0.056	-0.053	-0.040	-0.024	-0.050	-0.034	0.007	-0.126
	(0.090)	(0.077)	(0.060)	(0.036)	(0.033)	(0.036)	(0.075)	(0.144)	(0.372)
Natural resources*GOVST	-0.009	0.012	0.012	-0.012	0.013	0.017	-0.062*	-0.087	-0.063
	(0.056)	(0.041)	(0.022)	(0.017)	(0.019)	(0.024)	(0.035)	(0.081)	(0.123)
Legal origin*GOVST	-0.149	0.147	0.209	0.147	0.142*	0.183*	0.282*	0.222	0.537
	(0.185)	(0.173)	(0.129)	(0.094)	(0.080)	(0.110)	(0.144)	(0.321)	(0.449)
Landlocked*GOVST	-0.108	-0.383**	0.089	0.103	-0.037	-0.113	-0.293*	-0.661*	-0.782**
	(0.199)	(0.195)	(0.111)	(0.080)	(0.080)	(0.092)	(0.164)	(0.351)	(0.394)
Constant	0.732	3.252	4.082*	3.012*	2.869	1.331	2.825	4.189	11.531
	(4.007)	(3.603)	(2.450)	(1.636)	(1.865)	(2.233)	(3.920)	(6.845)	(8.098)
R-squared	0.258								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 50:Regression results of socioeconomic conditions indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.005	0.080**	0.065***	0.060***	0.063***	0.087**	0.094**	0.067	0.063
	(0.040)	(0.040)	(0.024)	(0.016)	(0.022)	(0.038)	(0.041)	(0.066)	(0.069)
Inflation	-0.000	-0.011	0.001	-0.001	-0.007	-0.010	-0.007	0.005	0.006
	(0.013)	(0.012)	(0.011)	(0.006)	(0.005)	(0.008)	(0.011)	(0.014)	(0.019)
Trade openness	0.044***	0.033***	0.004	0.010	0.015***	0.017***	0.034***	0.060***	0.070**
	(0.016)	(0.010)	(0.010)	(0.006)	(0.005)	(0.006)	(0.010)	(0.018)	(0.031)
Gross capital formation	0.148***	0.102***	-0.005	0.009	0.011	0.036**	0.084**	0.144**	0.182**
	(0.032)	(0.025)	(0.027)	(0.017)	(0.016)	(0.017)	(0.038)	(0.063)	(0.083)
US GDP per capita growth	0.091	0.029	-0.029	-0.083	-0.083	-0.101	-0.011	0.153	0.429
	(0.139)	(0.145)	(0.085)	(0.064)	(0.072)	(0.106)	(0.207)	(0.396)	(0.498)
US central bank policy rate	-0.041	-0.014	0.101	0.063	0.022	0.050	0.017	-0.274	-0.661
	(0.136)	(0.144)	(0.109)	(0.075)	(0.065)	(0.084)	(0.170)	(0.318)	(0.514)
US volatility VIX	0.010	0.078*	0.028	0.036*	0.014	0.042	0.056	0.007	0.083
	(0.046)	(0.047)	(0.030)	(0.020)	(0.019)	(0.030)	(0.049)	(0.103)	(0.176)
US policy uncertainty	-0.011	-0.022*	-0.003	-0.007	-0.010*	-0.007	-0.010	-0.025	-0.050
	(0.012)	(0.012)	(0.010)	(0.005)	(0.005)	(0.007)	(0.011)	(0.021)	(0.035)
US commodity price	-0.287	-0.163	-0.077	0.017	0.012	0.082	0.055	-0.073	-0.642
	(0.196)	(0.207)	(0.212)	(0.096)	(0.068)	(0.099)	(0.159)	(0.329)	(0.520)
Natural resources	0.008	0.055	0.050	0.044	0.036	0.087**	0.129***	0.000	0.050
	(0.054)	(0.055)	(0.050)	(0.031)	(0.031)	(0.038)	(0.045)	(0.080)	(0.100)
Financial openness	0.304	0.342	0.255	0.195	0.199	0.471***	0.579**	0.769**	0.816
	(0.356)	(0.244)	(0.298)	(0.186)	(0.209)	(0.143)	(0.249)	(0.385)	(0.500)
Schooling	0.346	-0.409***	-0.291***	-0.244***	-0.206***	-0.245***	-0.266**	-0.466**	-0.618**
	(0.233)	(0.120)	(0.095)	(0.070)	(0.061)	(0.073)	(0.112)	(0.194)	(0.251)
Aid flows	-12.283**	8.840**	-0.133	0.605	0.044	1.000	8.354*	17.346	25.445
	(5.378)	(3.712)	(2.533)	(2.075)	(1.567)	(2.399)	(4.932)	(11.987)	(25.249)
External debt	-0.488	-1.000*	-0.844*	-0.462	-0.065	-0.194	0.141	0.505	-0.046
	(0.667)	(0.593)	(0.504)	(0.404)	(0.339)	(0.370)	(0.557)	(0.965)	(1.349)
Infrastructure	-0.194	-0.100	0.044	0.047	0.065	-0.052	-0.104	0.031	0.132
	(0.140)	(0.090)	(0.053)	(0.042)	(0.043)	(0.057)	(0.090)	(0.139)	(0.192)
Population growth	-0.638*	0.020	-0.306	-0.203	0.017	0.117	0.198	-0.404	-0.527
	(0.356)	(0.324)	(0.249)	(0.206)	(0.128)	(0.195)	(0.368)	(0.522)	(0.813)
Net foreign assets	0.000	-0.000	0.000	0.000	0.000	-0.000	-0.001	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.522	-1.460**	-0.277	-0.400	-0.382	-0.420	-0.047	-1.092	-1.845
	(0.693)	(0.616)	(0.609)	(0.324)	(0.370)	(0.381)	(0.548)	(1.487)	(1.870)
Financial crisis dummy	1.188*	1.311*	0.019	0.104	0.413	0.551	1.774	6.542**	6.636
	(0.677)	(0.698)	(0.438)	(0.381)	(0.302)	(0.681)	(1.291)	(3.239)	(4.616)
Landlocked dummy	-	0.001	0.846	0.605	0.028	0.041	0.604	-0.712	-1.767
		(1.244)	(1.071)	(0.668)	(0.629)	(0.810)	(1.228)	(1.809)	(2.849)
Legal origin dummy	-	-3.420***	-1.144	-0.654	-0.575	-0.043	-2.569**	-6.255**	-6.499
		(1.102)	(0.914)	(0.628)	(0.532)	(0.700)	(1.148)	(3.123)	(4.978)
Quantitative easing dummy	1.971**	2.897***	0.622	1.048***	1.185***	1.084*	1.736*	4.203*	8.229*
	(0.858)	(0.866)	(0.473)	(0.315)	(0.294)	(0.587)	(1.043)	(2.512)	(4.222)
Exchange rate regime	0.067	0.128**	0.039	0.042*	0.030	0.017	0.056	0.075	0.187
	(0.095)	(0.051)	(0.041)	(0.023)	(0.026)	(0.030)	(0.056)	(0.096)	(0.153)
Socioeconomic conditions	-0.009	-0.548**	-0.296	-0.154	-0.150	-0.010	-0.350*	-1.171**	-1.102
	(0.238)	(0.215)	(0.245)	(0.169)	(0.111)	(0.106)	(0.182)	(0.544)	(0.783)
Aid flow*SOCIO	-0.120	-0.081	0.115	0.054	0.032	-0.109*	-0.223*	-0.160	-0.123
	(0.130)	(0.115)	(0.096)	(0.060)	(0.070)	(0.065)	(0.114)	(0.177)	(0.298)
Financial openness*SOCIO	-0.066	-0.011	-0.164	-0.100	0.006	-0.104*	-0.084	-0.020	0.001
	(0.131)	(0.123)	(0.208)	(0.105)	(0.071)	(0.056)	(0.108)	(0.185)	(0.280)
Natural resources*SOCIO	-0.109	-0.060	0.016	0.003	0.003	-0.015	-0.139*	-0.141	-0.115
	(0.104)	(0.083)	(0.077)	(0.045)	(0.042)	(0.047)	(0.072)	(0.124)	(0.156)
Legal origin*SOCIO	0.434	0.719***	0.325	0.205	0.150	0.153	0.683***	1.208**	0.994
	(0.302)	(0.240)	(0.208)	(0.163)	(0.114)	(0.138)	(0.243)	(0.600)	(0.906)
Landlocked*SOCIO	-0.228	-0.309	-0.328	-0.223	-0.047	-0.134	-0.294	-0.175	-0.094
	(0.342)	(0.292)	(0.327)	(0.171)	(0.149)	(0.178)	(0.281)	(0.373)	(0.527)
Constant	1.598	10.079***	4.359	3.605	3.522	3.552	2.157	13.666*	17.728
	(4.102)	(3.647)	(3.524)	(2.413)	(2.238)	(2.289)	(3.431)	(7.896)	(11.396)
R-squared	0.245								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 51: Regression results of investment profile indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.000	0.029	0.026	0.041*	0.055***	0.072**	0.077*	0.047	0.063
	(0.040)	(0.040)	(0.028)	(0.021)	(0.019)	(0.029)	(0.041)	(0.060)	(0.073)
Inflation	-0.001	-0.003	0.001	-0.003	-0.009	-0.009	-0.005	0.008	0.007
	(0.013)	(0.013)	(0.009)	(0.005)	(0.006)	(0.008)	(0.010)	(0.013)	(0.021)
Trade openness	0.043***	0.037***	0.002	0.013**	0.014***	0.019***	0.038***	0.065***	0.062**
	(0.016)	(0.014)	(0.012)	(0.005)	(0.005)	(0.005)	(0.008)	(0.016)	(0.024)
Gross capital formation	0.154***	0.133***	-0.025	-0.016	-0.001	0.029	0.083**	0.189***	0.238***
	(0.032)	(0.030)	(0.026)	(0.011)	(0.012)	(0.018)	(0.033)	(0.070)	(0.081)
US GDP per capita growth	0.094	0.051	-0.027	-0.088	-0.075	-0.139	0.034	-0.031	0.033
	(0.140)	(0.140)	(0.116)	(0.062)	(0.059)	(0.118)	(0.222)	(0.440)	(0.770)
US central bank policy rate	-0.039	-0.001	0.134	0.056	0.059	0.114	0.032	-0.176	-0.232
	(0.135)	(0.136)	(0.103)	(0.064)	(0.060)	(0.082)	(0.179)	(0.327)	(0.580)
US volatility VIX	0.007	0.046	0.019	0.034	0.011	0.034	0.061	0.065	0.024
	(0.045)	(0.045)	(0.034)	(0.024)	(0.020)	(0.032)	(0.051)	(0.098)	(0.240)
US policy uncertainty	-0.011	-0.016	0.002	-0.008	-0.007	-0.006	-0.013	-0.029	-0.027
	(0.012)	(0.012)	(0.010)	(0.005)	(0.005)	(0.007)	(0.010)	(0.020)	(0.049)
US commodity price	-0.282	-0.226	-0.080	0.019	0.018	0.029	-0.097	-0.074	-0.398
	(0.196)	(0.198)	(0.201)	(0.107)	(0.057)	(0.101)	(0.244)	(0.299)	(0.995)
Natural resources	0.003	0.029	0.073	0.031	0.020	0.082**	0.105**	0.003	0.053
	(0.054)	(0.054)	(0.060)	(0.034)	(0.027)	(0.039)	(0.045)	(0.081)	(0.138)
Financial openness	0.450	0.689*	0.142	0.202	0.326*	0.426***	0.554*	0.853*	1.492**
	(0.397)	(0.359)	(0.204)	(0.153)	(0.179)	(0.147)	(0.334)	(0.517)	(0.703)
Schooling	0.257	-0.175	-0.254***	-0.260***	-0.239***	-0.248***	-0.415***	-0.574***	-0.822***
	(0.231)	(0.186)	(0.087)	(0.061)	(0.049)	(0.071)	(0.106)	(0.151)	(0.266)
Aid flows	-13.714***	-4.292	1.016	0.054	-0.916	-0.893	-2.284	12.910	19.753
	(5.185)	(4.629)	(2.938)	(2.201)	(1.771)	(1.910)	(4.853)	(10.438)	(23.070)
External debt	-0.475	-0.752	-1.119**	-0.397	-0.073	-0.175	-0.016	-0.018	-0.655
	(0.670)	(0.649)	(0.537)	(0.379)	(0.304)	(0.355)	(0.444)	(0.776)	(1.315)
Infrastructure	-0.197	-0.256**	-0.024	0.050	0.071*	-0.027	-0.021	0.073	0.036
	(0.140)	(0.116)	(0.054)	(0.043)	(0.041)	(0.059)	(0.088)	(0.136)	(0.188)
Population growth	-0.670*	-0.345	-0.280	-0.116	-0.002	0.238	0.610*	-0.043	-0.624
	(0.369)	(0.354)	(0.257)	(0.182)	(0.140)	(0.182)	(0.356)	(0.655)	(0.991)
Net foreign assets	0.000	0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.621	-1.099	-0.926	-0.444	-0.413	-0.310	-1.229**	-1.595	-1.376
	(0.702)	(0.678)	(0.581)	(0.324)	(0.366)	(0.396)	(0.559)	(1.177)	(1.805)
Financial crisis dummy	1.249*	1.323*	0.014	0.245	0.385	0.422	1.965	3.509	6.644
	(0.674)	(0.675)	(0.414)	(0.377)	(0.270)	(0.608)	(1.377)	(3.312)	(4.609)
Landlocked dummy	-	-0.244	-0.566	-0.607	-0.809	-0.185	1.696	1.724	-1.371
		(1.924)	(1.198)	(0.719)	(0.773)	(0.915)	(1.679)	(2.472)	(4.280)
Legal origin dummy	-	0.475	1.539	0.672	0.779	0.152	-0.552	0.650	2.229
		(1.787)	(1.151)	(0.628)	(0.695)	(0.953)	(1.451)	(2.741)	(4.202)
Quantitative easing dummy	1.960**	2.552***	0.709	1.082***	0.930***	0.943*	1.949**	5.283**	8.662*
	(0.861)	(0.850)	(0.722)	(0.369)	(0.357)	(0.529)	(0.913)	(2.457)	(5.159)
Exchange rate regime	0.085	0.089	0.034	0.048	0.038*	0.028	0.082	0.087	0.228
	(0.095)	(0.077)	(0.038)	(0.030)	(0.020)	(0.033)	(0.050)	(0.130)	(0.195)
Investment profile	0.100	0.182	0.222	0.077	0.068	0.095	0.216	0.341	0.349
	(0.164)	(0.161)	(0.181)	(0.097)	(0.090)	(0.096)	(0.149)	(0.323)	(0.459)
Aid flow*INVEST	-0.055	0.011	0.019	0.037	0.058	-0.011	0.004	0.021	-0.042
	(0.082)	(0.079)	(0.056)	(0.034)	(0.036)	(0.051)	(0.082)	(0.136)	(0.214)
Financial openness*INVEST	-0.117	-0.163	-0.090	-0.058	-0.050	-0.097**	-0.093	-0.112	-0.343
	(0.106)	(0.102)	(0.075)	(0.053)	(0.047)	(0.044)	(0.089)	(0.158)	(0.268)
Natural resources*INVEST	-0.018	0.002	-0.002	0.023	0.030	0.020	-0.044	-0.045	-0.075
	(0.064)	(0.061)	(0.034)	(0.020)	(0.021)	(0.033)	(0.049)	(0.082)	(0.149)
Legal origin*INVEST	-0.124	-0.092	-0.171	-0.064	-0.089	0.069	0.165	-0.112	-0.482
	(0.218)	(0.212)	(0.145)	(0.083)	(0.098)	(0.124)	(0.185)	(0.346)	(0.474)
Landlocked*INVEST	0.081	-0.080	0.022	0.036	0.082	-0.054	-0.314	-0.459	-0.056
	(0.241)	(0.230)	(0.193)	(0.105)	(0.106)	(0.125)	(0.223)	(0.323)	(0.514)
Constant	2.523	5.372	4.944	2.896*	2.819	1.919	3.891	6.238	9.315
	(4.089)	(4.012)	(3.327)	(1.570)	(1.726)	(2.457)	(3.256)	(6.704)	(9.725)
R-squared	0.242								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 52: Regression results of internal conflict indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	-0.003	0.057	0.026	0.052***	0.059***	0.075**	0.074*	0.016	-0.020
	(0.040)	(0.040)	(0.029)	(0.019)	(0.022)	(0.032)	(0.044)	(0.050)	(0.075)
Inflation	0.003	0.001	0.004	-0.002	-0.004	-0.002	-0.002	-0.001	0.009
	(0.013)	(0.013)	(0.007)	(0.007)	(0.006)	(0.008)	(0.010)	(0.013)	(0.022)
Trade openness	0.039**	0.028***	-0.002	0.005	0.010*	0.016***	0.023**	0.054***	0.051**
	(0.016)	(0.010)	(0.010)	(0.007)	(0.005)	(0.005)	(0.010)	(0.016)	(0.025)
Gross capital formation	0.148***	0.099***	-0.032	-0.012	0.004	0.033**	0.097***	0.189***	0.213**
	(0.031)	(0.024)	(0.022)	(0.013)	(0.014)	(0.016)	(0.031)	(0.047)	(0.086)
US GDP per capita growth	0.070	0.025	-0.052	-0.062	-0.071	-0.173*	0.102	-0.110	0.157
	(0.140)	(0.145)	(0.077)	(0.072)	(0.066)	(0.091)	(0.191)	(0.374)	(0.566)
US central bank policy rate	-0.059	0.004	0.083	0.040	0.027	0.102	-0.050	-0.225	-0.520
	(0.135)	(0.143)	(0.088)	(0.064)	(0.061)	(0.085)	(0.157)	(0.347)	(0.491)
US volatility VIX	0.017	0.102**	0.033	0.033	0.025	0.033	0.049	0.052	-0.016
	(0.045)	(0.045)	(0.024)	(0.021)	(0.021)	(0.026)	(0.047)	(0.106)	(0.242)
US policy uncertainty	-0.012	-0.019	-0.004	-0.006	-0.007	-0.003	-0.008	-0.035*	-0.033
	(0.012)	(0.012)	(0.008)	(0.005)	(0.006)	(0.006)	(0.010)	(0.020)	(0.050)
US commodity price	-0.293	-0.231	0.109	0.080	-0.052	-0.078	-0.044	-0.271	-0.665
	(0.195)	(0.207)	(0.165)	(0.075)	(0.068)	(0.094)	(0.233)	(0.316)	(0.884)
Natural resources	0.005	0.037	0.093	0.058*	0.029	0.057	0.092**	0.037	-0.100
	(0.054)	(0.056)	(0.059)	(0.033)	(0.035)	(0.035)	(0.041)	(0.085)	(0.161)
Financial openness	0.251	0.441*	0.172	0.175	0.332*	0.468***	0.735**	0.880*	0.713
	(0.361)	(0.260)	(0.453)	(0.204)	(0.179)	(0.134)	(0.302)	(0.485)	(0.787)
Schooling	0.269	-0.429***	-0.255**	-0.245***	-0.249***	-0.305***	-0.386***	-0.636***	-0.953***
	(0.233)	(0.118)	(0.105)	(0.074)	(0.057)	(0.068)	(0.110)	(0.159)	(0.272)
Aid flows	-12.149**	5.708	1.394	0.299	-0.567	-1.378	-0.625	10.516	6.678
	(5.292)	(3.827)	(3.156)	(2.108)	(2.175)	(2.326)	(3.975)	(12.154)	(23.476)
External debt	-0.464	-1.153**	-1.078**	-0.539	-0.296	-0.291	-0.430	-0.374	0.196
	(0.655)	(0.585)	(0.466)	(0.413)	(0.365)	(0.335)	(0.558)	(1.011)	(1.633)
Infrastructure	-0.165	-0.123	-0.041	0.026	0.083*	-0.034	-0.113	-0.031	0.107
	(0.136)	(0.081)	(0.049)	(0.039)	(0.043)	(0.049)	(0.098)	(0.152)	(0.171)
Population growth	-0.672*	0.028	-0.331	-0.172	0.067	0.281	0.049	-0.294	-0.921
	(0.353)	(0.321)	(0.218)	(0.153)	(0.130)	(0.200)	(0.312)	(0.680)	(1.079)
Net foreign assets	0.000	-0.000	0.000	-0.000	0.000	-0.000	-0.001**	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.725	-1.751***	-0.650	-0.547	-0.679*	-0.218	-0.600	-1.357	-2.848
	(0.696)	(0.617)	(0.485)	(0.333)	(0.375)	(0.337)	(0.444)	(1.157)	(1.732)
Financial crisis dummy	1.069	0.949	0.062	0.174	0.219	0.219	2.202	3.783	6.989
	(0.677)	(0.702)	(0.399)	(0.338)	(0.331)	(0.477)	(1.386)	(3.160)	(4.276)
Landlocked dummy	-	2.198	-1.584	-0.557	0.964	2.198**	2.106	3.189	3.166
		(1.701)	(1.290)	(0.982)	(0.884)	(0.882)	(1.520)	(2.531)	(3.491)
Legal origin dummy	-	0.812	0.055	0.457	0.409	0.500	0.614	3.861	1.184
		(1.565)	(1.245)	(0.837)	(0.764)	(0.909)	(1.291)	(2.453)	(3.717)
Quantitative easing dummy	2.208**	3.110***	0.923*	1.086***	1.047***	0.780	1.521	5.131*	8.606**
	(0.858)	(0.857)	(0.473)	(0.411)	(0.390)	(0.476)	(0.988)	(2.797)	(3.992)
Exchange rate regime	0.076	0.116**	0.044	0.033	0.027	0.024	0.084	0.098	0.056
	(0.094)	(0.050)	(0.040)	(0.031)	(0.024)	(0.030)	(0.052)	(0.077)	(0.156)
Internal conflict	0.315**	0.433***	0.098	0.076	0.109**	0.248***	0.389***	0.698***	0.692**
	(0.154)	(0.132)	(0.092)	(0.057)	(0.049)	(0.052)	(0.114)	(0.249)	(0.333)
Aid flow*INCON	-0.020	0.024	0.002	0.031	0.029	-0.044	-0.053	0.012	0.045
	(0.067)	(0.059)	(0.045)	(0.029)	(0.035)	(0.035)	(0.066)	(0.138)	(0.170)
Financial openness*INCON	-0.049	-0.090	-0.105	-0.074	-0.056	-0.112***	-0.127*	-0.131	-0.055
	(0.077)	(0.071)	(0.168)	(0.066)	(0.041)	(0.037)	(0.071)	(0.120)	(0.246)
Natural resources*INCON	-0.038	0.043	-0.017	0.003	0.036*	0.032	-0.019	-0.006	0.141
	(0.056)	(0.042)	(0.038)	(0.024)	(0.021)	(0.026)	(0.041)	(0.084)	(0.142)
Legal origin*INCON	-0.106	-0.128	0.013	-0.024	-0.029	0.007	-0.044	-0.462	-0.211
	(0.199)	(0.177)	(0.149)	(0.100)	(0.087)	(0.101)	(0.137)	(0.323)	(0.454)
Landlocked*INCON	-0.137	-0.413**	0.126	0.010	-0.145	-0.330***	-0.322*	-0.566*	-0.597*
	(0.219)	(0.190)	(0.144)	(0.113)	(0.099)	(0.094)	(0.180)	(0.288)	(0.354)
Constant	1.323	5.250	5.404**	3.771**	3.651**	0.498	1.742	5.075	15.419
	(4.096)	(3.642)	(2.479)	(1.770)	(1.708)	(2.099)	(2.799)	(6.762)	(10.040)
R-squared	0.246								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 53: Regression results of external conflict indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.001	0.026	0.045*	0.060***	0.046**	0.051*	0.067*	0.027	0.016
	(0.040)	(0.040)	(0.026)	(0.019)	(0.022)	(0.029)	(0.039)	(0.056)	(0.068)
Inflation	0.001	-0.004	0.001	-0.002	-0.004	-0.008	-0.010	-0.005	0.009
	(0.013)	(0.013)	(0.011)	(0.006)	(0.007)	(0.008)	(0.011)	(0.017)	(0.018)
Trade openness	0.042**	0.034**	-0.001	0.009	0.011**	0.021***	0.031***	0.055***	0.060**
	(0.017)	(0.014)	(0.011)	(0.007)	(0.005)	(0.006)	(0.008)	(0.020)	(0.028)
Gross capital formation	0.152***	0.127***	-0.030	-0.010	0.004	0.028*	0.071**	0.166***	0.183**
	(0.032)	(0.029)	(0.021)	(0.015)	(0.013)	(0.016)	(0.029)	(0.056)	(0.083)
US GDP per capita growth	0.070	0.010	-0.022	-0.081	-0.093	-0.167*	-0.066	-0.097	0.121
	(0.142)	(0.142)	(0.102)	(0.063)	(0.077)	(0.096)	(0.175)	(0.447)	(0.583)
US central bank policy rate	-0.062	-0.036	0.122	0.053	0.051	0.058	-0.022	-0.198	-0.449
	(0.137)	(0.139)	(0.113)	(0.073)	(0.070)	(0.086)	(0.161)	(0.370)	(0.587)
US volatility VIX	0.014	0.059	0.046	0.039*	0.020	0.042*	0.025	0.074	0.054
	(0.045)	(0.044)	(0.030)	(0.021)	(0.021)	(0.025)	(0.049)	(0.114)	(0.217)
US policy uncertainty	-0.013	-0.020*	-0.000	-0.007	-0.010**	-0.010	-0.011	-0.037*	-0.036
	(0.012)	(0.012)	(0.010)	(0.005)	(0.005)	(0.006)	(0.011)	(0.021)	(0.049)
US commodity price	-0.274	-0.236	-0.039	0.010	0.003	0.026	-0.107	-0.161	-0.440
	(0.195)	(0.197)	(0.203)	(0.094)	(0.077)	(0.101)	(0.193)	(0.318)	(0.787)
Natural resources	0.010	0.038	0.076	0.040	0.040	0.095***	0.102**	0.053	-0.078
	(0.054)	(0.054)	(0.052)	(0.036)	(0.031)	(0.034)	(0.049)	(0.092)	(0.137)
Financial openness	0.222	0.550*	0.419	0.209	0.407***	0.443***	0.741***	0.703	0.771
	(0.380)	(0.322)	(0.342)	(0.191)	(0.155)	(0.119)	(0.250)	(0.463)	(0.692)
Schooling	0.261	-0.204	-0.270***	-0.241***	-0.287***	-0.235***	-0.351***	-0.625***	-0.597*
	(0.230)	(0.178)	(0.102)	(0.071)	(0.051)	(0.075)	(0.116)	(0.206)	(0.315)
Aid flows	-12.513**	-1.336	-1.071	-0.794	-0.195	-0.282	1.663	19.204	22.069
	(5.382)	(4.660)	(3.030)	(2.145)	(1.767)	(2.020)	(4.646)	(12.211)	(24.796)
External debt	-0.506	-0.953	-1.352**	-0.411	-0.390	-0.163	-0.125	-0.322	0.467
	(0.658)	(0.629)	(0.565)	(0.402)	(0.353)	(0.393)	(0.575)	(1.019)	(1.488)
Infrastructure	-0.162	-0.241**	-0.070	0.041	0.077*	-0.044	-0.142*	0.028	0.065
	(0.136)	(0.109)	(0.058)	(0.046)	(0.043)	(0.050)	(0.083)	(0.150)	(0.175)
Population growth	-0.627*	-0.315	-0.245	-0.097	0.039	0.281*	-0.022	-0.631	-0.828
	(0.356)	(0.338)	(0.222)	(0.178)	(0.141)	(0.155)	(0.322)	(0.652)	(0.950)
Net foreign assets	0.000	0.000	0.000	0.000	0.000	-0.000	-0.000	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.657	-1.183*	-0.540	-0.332	-0.578*	-0.364	-0.592	-1.116	-0.752
	(0.696)	(0.665)	(0.514)	(0.343)	(0.346)	(0.365)	(0.574)	(1.536)	(2.199)
Financial crisis dummy	1.170*	1.207*	-0.111	0.230	0.381	0.271	2.110*	3.522	6.091
	(0.677)	(0.677)	(0.489)	(0.352)	(0.301)	(0.593)	(1.239)	(3.222)	(4.875)
Landlocked dummy	-	1.893	-0.807	0.915	2.446**	2.164*	1.081	-1.094	2.071
		(2.896)	(1.880)	(1.439)	(1.087)	(1.197)	(2.263)	(3.919)	(5.181)
Legal origin dummy	-	1.577	-1.194	-0.769	-0.431	1.925	2.375	4.306	6.258
		(2.645)	(1.881)	(1.332)	(1.199)	(1.385)	(2.092)	(3.576)	(5.389)
Quantitative easing dummy	2.165**	2.867***	0.722	0.998***	1.091***	1.302***	2.044*	5.985**	9.542*
	(0.872)	(0.861)	(0.601)	(0.348)	(0.338)	(0.467)	(1.102)	(2.822)	(5.089)
Exchange rate regime	0.095	0.079	0.044	0.040	0.030	0.019	0.061	0.106	0.125
	(0.094)	(0.073)	(0.048)	(0.030)	(0.025)	(0.032)	(0.052)	(0.113)	(0.149)
External conflict	0.207	0.394**	-0.004	-0.030	0.027	0.273***	0.497***	0.553	0.942
	(0.206)	(0.197)	(0.158)	(0.096)	(0.091)	(0.093)	(0.137)	(0.343)	(0.670)
Aid flow*EXCON	-0.046	0.003	0.022	0.040	0.026	-0.028	-0.043	-0.023	-0.001
	(0.059)	(0.056)	(0.038)	(0.029)	(0.026)	(0.032)	(0.053)	(0.092)	(0.138)
Financial openness*EXCON	-0.034	-0.091	-0.162	-0.055	-0.069**	-0.088***	-0.110**	-0.083	0.025
	(0.069)	(0.065)	(0.109)	(0.057)	(0.034)	(0.028)	(0.053)	(0.113)	(0.230)
Natural resources*EXCON	-0.031	-0.011	-0.006	0.010	0.028	0.003	-0.031	-0.017	-0.007
	(0.048)	(0.044)	(0.027)	(0.021)	(0.019)	(0.020)	(0.037)	(0.061)	(0.108)
Legal origin*EXCON	-0.056	-0.178	0.154	0.105	0.077	-0.128	-0.173	-0.477	-0.725
	(0.261)	(0.252)	(0.192)	(0.136)	(0.116)	(0.137)	(0.209)	(0.368)	(0.603)
Landlocked*EXCON	-0.046	-0.285	0.030	-0.123	-0.272**	-0.281**	-0.168	-0.057	-0.390
	(0.303)	(0.280)	(0.206)	(0.143)	(0.108)	(0.119)	(0.221)	(0.380)	(0.490)
Constant	1.149	3.543	5.405*	2.997	4.399**	0.391	0.783	4.513	-1.563
	(4.220)	(4.238)	(2.876)	(2.464)	(1.977)	(2.082)	(3.555)	(8.987)	(12.445)
R-squared	0.243								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 54: Regression results of corruption indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.065	0.051**	0.046***	0.055**	0.075**	0.094**	0.103*	0.117
	(0.040)	(0.040)	(0.021)	(0.017)	(0.023)	(0.032)	(0.044)	(0.058)	(0.071)
Inflation	-0.001	-0.009	-0.002	-0.001	-0.006	-0.010	-0.006	0.005	0.005
	(0.013)	(0.013)	(0.010)	(0.006)	(0.007)	(0.006)	(0.012)	(0.014)	(0.021)
Trade openness	0.040**	0.036***	0.008	0.011**	0.015***	0.023***	0.043***	0.061***	0.075**
	(0.017)	(0.010)	(0.011)	(0.005)	(0.005)	(0.005)	(0.009)	(0.017)	(0.030)
Gross capital formation	0.165***	0.110***	-0.017	-0.006	0.010	0.036**	0.104***	0.173**	0.212***
	(0.031)	(0.026)	(0.021)	(0.014)	(0.014)	(0.017)	(0.039)	(0.068)	(0.066)
US GDP per capita growth	0.062	0.023	-0.089	-0.009	-0.079	-0.133	0.030	-0.021	0.450
	(0.140)	(0.145)	(0.075)	(0.073)	(0.070)	(0.114)	(0.209)	(0.366)	(0.489)
US central bank policy rate	-0.086	-0.012	0.068	0.047	0.032	0.084	0.072	-0.161	-0.461
	(0.136)	(0.144)	(0.093)	(0.069)	(0.061)	(0.086)	(0.160)	(0.288)	(0.438)
US volatility VIX	0.021	0.102**	0.044**	0.050**	0.035	0.040	0.066	0.015	-0.070
	(0.045)	(0.046)	(0.022)	(0.020)	(0.025)	(0.031)	(0.049)	(0.100)	(0.205)
US policy uncertainty	-0.016	-0.024*	-0.011	-0.004	-0.009*	-0.006	-0.006	-0.021	-0.013
	(0.012)	(0.012)	(0.008)	(0.006)	(0.005)	(0.007)	(0.012)	(0.017)	(0.038)
US commodity price	-0.254	-0.159	-0.036	-0.003	0.003	0.040	-0.148	-0.115	-0.078
	(0.195)	(0.206)	(0.137)	(0.082)	(0.072)	(0.096)	(0.175)	(0.311)	(0.691)
Natural resources	0.015	0.052	0.082*	0.055	0.054*	0.080**	0.099**	0.040	0.014
	(0.054)	(0.055)	(0.046)	(0.034)	(0.031)	(0.034)	(0.048)	(0.090)	(0.124)
Financial openness	-0.308	0.018	0.004	0.016	0.070	0.278**	0.401	0.540	0.851
	(0.338)	(0.243)	(0.181)	(0.163)	(0.134)	(0.115)	(0.260)	(0.379)	(0.601)
Schooling	0.328	-0.329**	-0.230***	-0.224***	-0.203***	-0.213***	-0.336***	-0.546***	-0.700***
	(0.229)	(0.131)	(0.088)	(0.064)	(0.052)	(0.068)	(0.113)	(0.162)	(0.252)
Aid flows	-13.173**	8.062**	1.864	2.219	-0.168	0.319	2.479	22.473**	28.637
	(5.396)	(4.091)	(2.715)	(1.916)	(1.643)	(2.063)	(5.030)	(10.982)	(23.177)
External debt	-0.282	-1.178*	-1.012**	-0.752*	-0.254	-0.148	-0.262	-0.616	-0.570
	(0.673)	(0.610)	(0.497)	(0.420)	(0.317)	(0.351)	(0.639)	(0.801)	(1.097)
Infrastructure	-0.064	-0.102	0.016	0.066	0.078**	0.015	0.007	-0.020	0.118
	(0.141)	(0.090)	(0.051)	(0.041)	(0.038)	(0.055)	(0.107)	(0.151)	(0.188)
Population growth	-0.677*	0.209	-0.339	0.019	0.105	0.297	0.807**	-0.243	0.184
	(0.367)	(0.336)	(0.213)	(0.128)	(0.171)	(0.225)	(0.364)	(0.683)	(1.107)
Net foreign assets	0.000	-0.000	-0.000	-0.000	0.000	-0.000	-0.000	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.730	-1.733***	-0.725	-0.419	-0.428	-0.630*	-0.699	-1.453	-1.566
	(0.693)	(0.628)	(0.475)	(0.347)	(0.359)	(0.376)	(0.603)	(1.244)	(1.914)
Financial crisis dummy	1.108*	1.136	-0.116	-0.049	0.180	0.497	1.796	4.228	7.120*
	(0.670)	(0.698)	(0.435)	(0.365)	(0.393)	(0.677)	(1.334)	(3.235)	(3.739)
Landlocked dummy	-	-2.256	-0.862	-0.163	-0.239	0.503	-0.905	-0.670	-0.384
		(2.042)	(1.296)	(1.067)	(1.085)	(0.724)	(1.507)	(2.156)	(5.414)
Legal origin dummy	-	0.471	1.886*	0.858	0.694	1.222*	1.610*	-1.506	-2.335
		(1.093)	(1.063)	(0.656)	(0.571)	(0.696)	(0.935)	(1.841)	(2.325)
Quantitative easing dummy	2.384***	3.284***	1.430***	1.134***	0.976**	1.160**	0.952	4.207*	6.839
	(0.861)	(0.864)	(0.498)	(0.364)	(0.391)	(0.579)	(1.052)	(2.355)	(4.438)
Exchange rate regime	0.117	0.127**	0.026	0.035	0.019	0.012	0.118**	0.180*	0.296*
	(0.094)	(0.055)	(0.031)	(0.023)	(0.023)	(0.033)	(0.047)	(0.099)	(0.163)
Corruption	0.276	-0.098	0.660**	0.314	0.130	0.111	0.401	-0.430	-0.651
	(0.404)	(0.328)	(0.331)	(0.219)	(0.147)	(0.203)	(0.318)	(0.580)	(0.795)
Aid flow*CORR	-0.178	-0.024	0.086	0.058	0.060	-0.050	-0.249	-0.302	-0.351
	(0.225)	(0.204)	(0.140)	(0.090)	(0.091)	(0.118)	(0.199)	(0.276)	(0.389)
Financial openness*CORR	0.343	0.198	-0.121	-0.051	0.013	-0.070	-0.157	-0.116	-0.228
	(0.224)	(0.208)	(0.198)	(0.118)	(0.092)	(0.092)	(0.176)	(0.247)	(0.719)
Natural resources*CORR	-0.243	-0.115	-0.052	-0.003	0.037	-0.046	-0.169	-0.546***	-0.639**
	(0.178)	(0.154)	(0.075)	(0.059)	(0.057)	(0.071)	(0.125)	(0.195)	(0.322)
Legal origin*CORR	-0.379	-0.355	-0.622*	-0.338*	-0.225	-0.234	-0.613	0.141	0.140
	(0.431)	(0.399)	(0.333)	(0.203)	(0.169)	(0.251)	(0.375)	(0.613)	(0.969)
Landlocked*CORR	0.323	0.110	0.058	-0.014	0.015	-0.088	0.034	-0.109	-0.202
	(0.239)	(0.200)	(0.134)	(0.103)	(0.098)	(0.075)	(0.149)	(0.212)	(0.460)
Constant	0.884	7.434**	3.831*	1.114	2.046	2.740	-0.375	10.349	9.754
	(4.037)	(3.741)	(2.273)	(1.587)	(2.001)	(2.341)	(3.892)	(6.672)	(10.469)
R-squared	0.248								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 55: Regression results of military in politics indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.035	0.047*	0.058***	0.058***	0.068***	0.090**	0.037	0.010
	(0.040)	(0.039)	(0.024)	(0.016)	(0.016)	(0.026)	(0.043)	(0.057)	(0.079)
Inflation	0.006	0.002	0.001	-0.001	-0.004	-0.008	-0.012	-0.001	0.004
	(0.013)	(0.013)	(0.008)	(0.006)	(0.006)	(0.007)	(0.013)	(0.014)	(0.020)
Trade openness	0.043***	0.045***	0.011	0.013***	0.019***	0.026***	0.037***	0.057***	0.072**
	(0.016)	(0.013)	(0.009)	(0.004)	(0.005)	(0.006)	(0.009)	(0.021)	(0.032)
Gross capital formation	0.146***	0.120***	-0.027	-0.013	0.003	0.028*	0.081**	0.165***	0.198***
	(0.031)	(0.028)	(0.021)	(0.010)	(0.011)	(0.016)	(0.035)	(0.063)	(0.071)
US GDP per capita growth	0.108	0.082	0.042	-0.033	-0.039	-0.129	-0.056	-0.185	0.028
	(0.139)	(0.140)	(0.078)	(0.058)	(0.066)	(0.103)	(0.190)	(0.443)	(0.533)
US central bank policy rate	-0.015	0.031	0.141	0.086	0.006	0.108	0.068	0.057	-0.046
	(0.135)	(0.136)	(0.124)	(0.056)	(0.073)	(0.092)	(0.157)	(0.308)	(0.400)
US volatility VIX	0.026	0.071	0.040*	0.016	0.026	0.036	-0.008	0.079	0.047
	(0.044)	(0.044)	(0.024)	(0.015)	(0.021)	(0.027)	(0.038)	(0.105)	(0.208)
US policy uncertainty	-0.011	-0.015	-0.001	-0.003	-0.009*	-0.005	-0.004	-0.026	-0.021
	(0.012)	(0.012)	(0.010)	(0.005)	(0.005)	(0.007)	(0.009)	(0.019)	(0.039)
US commodity price	-0.268	-0.228	-0.049	0.016	0.027	-0.013	-0.067	-0.222	-0.414
	(0.194)	(0.197)	(0.219)	(0.093)	(0.059)	(0.101)	(0.205)	(0.356)	(0.640)
Natural resources	0.001	0.026	0.056	0.043	0.046*	0.094***	0.094**	0.049	-0.049
	(0.054)	(0.054)	(0.048)	(0.027)	(0.026)	(0.032)	(0.045)	(0.084)	(0.123)
Financial openness	0.345	0.636**	0.381*	0.467***	0.415***	0.477***	0.924***	0.973**	1.257**
	(0.347)	(0.284)	(0.219)	(0.152)	(0.128)	(0.100)	(0.264)	(0.459)	(0.552)
Schooling	0.252	-0.168	-0.160**	-0.170***	-0.105**	-0.199***	-0.372***	-0.545***	-0.712***
	(0.230)	(0.169)	(0.076)	(0.041)	(0.047)	(0.068)	(0.132)	(0.195)	(0.233)
Aid flows	-13.321**	-1.893	2.452	1.611	1.987	0.861	-0.035	13.918	9.759
	(5.063)	(4.318)	(2.692)	(1.963)	(1.562)	(1.962)	(4.470)	(8.826)	(19.705)
External debt	-0.880	-1.393**	-1.231***	-0.946***	-0.794***	-0.432	0.066	-0.410	0.088
	(0.666)	(0.633)	(0.443)	(0.341)	(0.289)	(0.340)	(0.470)	(0.926)	(1.715)
Infrastructure	-0.187	-0.255**	0.001	0.020	0.059	-0.020	-0.055	0.044	0.033
	(0.136)	(0.107)	(0.045)	(0.036)	(0.037)	(0.061)	(0.101)	(0.160)	(0.202)
Population growth	-0.769**	-0.406	-0.250	-0.182	0.135	0.157	0.267	0.052	0.054
	(0.350)	(0.330)	(0.204)	(0.152)	(0.116)	(0.170)	(0.318)	(0.644)	(0.803)
Net foreign assets	0.000	0.000	-0.000	-0.000	0.000	-0.000	-0.001	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-1.039	-1.603**	-0.855*	-0.899***	-0.628**	-0.714*	-1.102**	-1.063	-1.726
	(0.715)	(0.662)	(0.446)	(0.259)	(0.298)	(0.403)	(0.510)	(1.227)	(1.870)
Financial crisis dummy	1.138*	1.205*	0.275	0.294	0.209	0.417	2.322**	3.682	6.567*
	(0.669)	(0.671)	(0.414)	(0.260)	(0.340)	(0.535)	(1.067)	(3.466)	(3.596)
Landlocked dummy	-	0.433	0.096	-0.060	-0.574	-0.180	-1.182	-1.821	0.243
		(1.475)	(0.752)	(0.537)	(0.503)	(0.511)	(1.078)	(1.664)	(2.405)
Legal origin dummy	-	2.074*	1.767**	1.634***	1.513***	1.766***	0.623	-0.052	0.883
		(1.251)	(0.742)	(0.376)	(0.358)	(0.489)	(0.912)	(1.735)	(2.135)
Quantitative easing dummy	2.078**	2.549***	0.942**	0.907***	0.847***	0.952*	1.314	5.143*	8.347**
	(0.852)	(0.844)	(0.463)	(0.301)	(0.323)	(0.492)	(0.929)	(2.628)	(4.107)
Exchange rate regime	0.086	0.089	0.035	0.032	0.026	0.013	0.060	0.146	0.195
	(0.092)	(0.069)	(0.033)	(0.022)	(0.024)	(0.027)	(0.047)	(0.106)	(0.156)
Military in politics	0.811***	0.696***	0.258	0.222**	0.129	0.251**	0.219	0.243	1.262**
	(0.305)	(0.261)	(0.184)	(0.105)	(0.089)	(0.102)	(0.197)	(0.408)	(0.582)
Aid flow*MILIT	0.121	0.258	0.141	0.112	0.097	-0.021	-0.149	-0.130	-0.155
	(0.206)	(0.183)	(0.109)	(0.073)	(0.066)	(0.090)	(0.145)	(0.312)	(0.347)
Financial openness*MILIT	-0.165	-0.315*	-0.457**	-0.375**	-0.254***	-0.330***	-0.605***	-0.603**	-0.586
	(0.193)	(0.179)	(0.221)	(0.162)	(0.094)	(0.081)	(0.141)	(0.295)	(0.413)
Natural resources*MILIT	-0.027	0.041	0.005	0.004	0.035	-0.008	-0.077	-0.047	0.061
	(0.135)	(0.129)	(0.061)	(0.047)	(0.051)	(0.068)	(0.127)	(0.230)	(0.334)
Legal origin*MILIT	-0.792*	-0.861**	-0.498**	-0.464***	-0.467***	-0.375***	-0.016	-0.104	-0.867
	(0.468)	(0.341)	(0.221)	(0.113)	(0.098)	(0.132)	(0.261)	(0.603)	(0.780)
Landlocked*MILIT	-0.304	-0.477	-0.238	-0.129	0.077	-0.136	0.207	0.144	-0.519
	(0.470)	(0.371)	(0.255)	(0.185)	(0.145)	(0.156)	(0.281)	(0.522)	(0.678)
Constant	3.603	6.440*	4.504**	5.310***	3.210*	3.504	6.440*	6.298	6.989
	(4.037)	(3.796)	(2.220)	(1.457)	(1.783)	(2.283)	(3.426)	(6.752)	(9.405)
R-squared	0.256								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 56: Regression results of religious tensions indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.005	0.046	0.047*	0.059***	0.050**	0.056*	0.078**	0.067	0.023
	(0.040)	(0.040)	(0.025)	(0.018)	(0.021)	(0.032)	(0.039)	(0.060)	(0.084)
Inflation	0.002	-0.002	-0.002	-0.005	-0.005	0.000	0.002	-0.001	0.007
	(0.013)	(0.013)	(0.008)	(0.005)	(0.005)	(0.007)	(0.011)	(0.016)	(0.022)
Trade openness	0.045***	0.030**	0.004	0.013**	0.013***	0.012**	0.019**	0.057***	0.062***
	(0.016)	(0.013)	(0.010)	(0.005)	(0.005)	(0.005)	(0.010)	(0.016)	(0.024)
Gross capital formation	0.150***	0.127***	-0.029	-0.004	0.006	0.043**	0.099***	0.167***	0.218***
	(0.031)	(0.027)	(0.024)	(0.015)	(0.012)	(0.019)	(0.030)	(0.062)	(0.070)
US GDP per capita growth	0.084	0.058	0.035	-0.059	-0.103	-0.139	-0.081	0.071	-0.026
	(0.139)	(0.141)	(0.084)	(0.057)	(0.065)	(0.113)	(0.171)	(0.377)	(0.618)
US central bank policy rate	-0.037	0.014	0.067	0.021	0.094	0.115	0.104	-0.139	-0.101
	(0.135)	(0.138)	(0.104)	(0.069)	(0.072)	(0.086)	(0.157)	(0.336)	(0.537)
US volatility VIX	0.014	0.071	0.036	0.036**	0.032*	0.051*	0.061	0.064	0.101
	(0.045)	(0.044)	(0.027)	(0.017)	(0.018)	(0.028)	(0.043)	(0.113)	(0.197)
US policy uncertainty	-0.011	-0.016	-0.003	-0.007	-0.007	-0.005	-0.005	-0.022	-0.026
	(0.012)	(0.012)	(0.008)	(0.005)	(0.005)	(0.006)	(0.011)	(0.019)	(0.040)
US commodity price	-0.270	-0.228	-0.075	0.031	0.012	0.018	-0.095	-0.054	-0.598
	(0.195)	(0.199)	(0.138)	(0.080)	(0.083)	(0.105)	(0.192)	(0.343)	(0.722)
Natural resources	0.007	0.035	0.052	0.033	0.027	0.049	0.092**	0.003	-0.065
	(0.054)	(0.055)	(0.039)	(0.034)	(0.031)	(0.038)	(0.043)	(0.099)	(0.131)
Financial openness	0.173	0.393	0.273	0.190	0.249	0.385***	0.559*	0.683	0.980
	(0.344)	(0.286)	(0.342)	(0.171)	(0.154)	(0.110)	(0.286)	(0.552)	(0.788)
Schooling	0.302	-0.297*	-0.186**	-0.194***	-0.249***	-0.260***	-0.425***	-0.697***	-0.960***
	(0.229)	(0.162)	(0.088)	(0.062)	(0.064)	(0.082)	(0.121)	(0.245)	(0.328)
Aid flows	-13.457**	-1.380	0.643	0.825	-0.776	-1.763	-3.855	12.426	15.768
	(5.186)	(4.395)	(2.709)	(2.315)	(1.630)	(1.845)	(3.958)	(10.213)	(14.025)
External debt	-0.625	-1.239**	-0.762	-0.459	-0.510*	-0.726**	-0.182	-0.631	-0.655
	(0.666)	(0.624)	(0.466)	(0.382)	(0.283)	(0.367)	(0.479)	(1.152)	(1.756)
Infrastructure	-0.223	-0.240**	0.018	0.036	0.054	-0.040	-0.126	0.017	0.161
	(0.142)	(0.102)	(0.061)	(0.043)	(0.042)	(0.056)	(0.095)	(0.152)	(0.194)
Population growth	-0.668*	-0.424	-0.003	-0.140	-0.022	0.012	-0.118	-0.438	-0.650
	(0.367)	(0.343)	(0.259)	(0.171)	(0.148)	(0.148)	(0.289)	(0.575)	(0.813)
Net foreign assets	0.000	0.000	0.000	-0.000	0.000	-0.000	-0.000	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.813	-1.431**	-0.833*	-0.493	-0.596*	-0.598	-0.758	-1.167	-0.289
	(0.701)	(0.651)	(0.454)	(0.341)	(0.351)	(0.369)	(0.554)	(1.391)	(1.914)
Financial crisis dummy	1.161*	1.168*	0.155	0.163	0.034	0.205	1.900*	4.264	5.552
	(0.677)	(0.681)	(0.454)	(0.357)	(0.297)	(0.557)	(1.028)	(3.542)	(4.395)
Landlocked dummy	-	2.520	-0.253	-0.140	0.562	1.035	2.405	2.072	0.769
		(1.825)	(1.021)	(0.773)	(0.633)	(0.822)	(1.666)	(3.040)	(2.912)
Legal origin dummy	-	0.973	0.560	0.820	1.082*	1.733**	0.661	2.088	2.095
		(1.431)	(0.691)	(0.541)	(0.622)	(0.711)	(0.850)	(1.674)	(2.317)
Quantitative easing dummy	2.014**	2.609***	1.090*	1.071***	0.857**	0.707	1.076	3.741	6.028
	(0.854)	(0.847)	(0.568)	(0.353)	(0.362)	(0.443)	(0.895)	(2.779)	(4.060)
Exchange rate regime	0.096	0.101	0.037	0.046*	0.027	0.012	0.044	0.142	0.277**
	(0.093)	(0.066)	(0.038)	(0.027)	(0.024)	(0.026)	(0.051)	(0.092)	(0.132)
Religious tensions	0.532*	0.616***	0.070	0.107	0.243***	0.425***	0.571***	0.770**	1.226**
	(0.301)	(0.227)	(0.105)	(0.081)	(0.083)	(0.087)	(0.146)	(0.377)	(0.529)
Aid flow*RELIG	-0.075	0.038	0.031	0.067	0.049	0.007	-0.079	-0.065	0.017
	(0.126)	(0.122)	(0.098)	(0.065)	(0.063)	(0.073)	(0.145)	(0.220)	(0.335)
Financial openness*RELIG	-0.036	-0.125	-0.346	-0.142	-0.065	-0.136**	-0.119	-0.228	-0.501
	(0.151)	(0.145)	(0.343)	(0.129)	(0.074)	(0.067)	(0.151)	(0.289)	(0.553)
Natural resources*RELIG	-0.061	0.043	0.040	0.018	0.091**	0.105*	0.047	0.140	0.141
	(0.108)	(0.098)	(0.063)	(0.053)	(0.044)	(0.055)	(0.084)	(0.224)	(0.303)
Legal origin*RELIG	-0.291	-0.314	-0.104	-0.182	-0.275**	-0.314*	0.003	-0.587	-0.979
	(0.431)	(0.314)	(0.161)	(0.125)	(0.129)	(0.164)	(0.200)	(0.449)	(0.647)
Landlocked*RELIG	-0.048	-0.860**	-0.036	-0.059	-0.196	-0.397*	-0.728**	-0.743	-0.535
	(0.530)	(0.420)	(0.289)	(0.186)	(0.150)	(0.203)	(0.370)	(0.658)	(0.719)
Constant	1.571	5.925	4.737*	2.761	3.246*	2.898	3.489	4.955	0.438
	(4.054)	(3.822)	(2.708)	(1.934)	(1.867)	(1.958)	(3.336)	(8.681)	(12.338)
R-squared	0.245								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 57:Regression results of law and order indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.000	0.083**	0.063***	0.056***	0.066***	0.082***	0.126***	0.093	0.127
	(0.040)	(0.041)	(0.024)	(0.018)	(0.018)	(0.028)	(0.046)	(0.071)	(0.080)
Inflation	0.001	-0.006	0.006	0.003	0.001	-0.012	-0.010	-0.011	-0.000
	(0.013)	(0.013)	(0.011)	(0.006)	(0.005)	(0.007)	(0.009)	(0.013)	(0.020)
Trade openness	0.044***	0.036***	-0.003	0.009	0.012***	0.017***	0.031***	0.054**	0.077***
	(0.016)	(0.010)	(0.009)	(0.006)	(0.004)	(0.005)	(0.009)	(0.022)	(0.030)
Gross capital formation	0.157***	0.101***	-0.045**	-0.021	-0.011	0.013	0.079***	0.161***	0.205***
	(0.031)	(0.025)	(0.021)	(0.015)	(0.013)	(0.014)	(0.029)	(0.055)	(0.068)
US GDP per capita growth	0.061	0.030	-0.042	-0.050	-0.111*	-0.197**	0.085	0.094	0.226
	(0.141)	(0.146)	(0.079)	(0.069)	(0.064)	(0.096)	(0.208)	(0.431)	(0.583)
US central bank policy rate	-0.038	0.034	0.117	0.085	0.121**	0.159*	0.081	-0.181	-0.296
	(0.135)	(0.143)	(0.108)	(0.063)	(0.061)	(0.084)	(0.162)	(0.276)	(0.427)
US volatility VIX	0.004	0.101**	0.022	0.033*	0.022	0.041	0.024	0.052	0.027
	(0.045)	(0.046)	(0.023)	(0.018)	(0.022)	(0.026)	(0.050)	(0.117)	(0.217)
US policy uncertainty	-0.009	-0.020	0.005	-0.002	0.001	-0.002	-0.000	-0.030	-0.030
	(0.012)	(0.012)	(0.009)	(0.005)	(0.005)	(0.007)	(0.011)	(0.020)	(0.045)
US commodity price	-0.283	-0.195	0.037	0.061	0.030	-0.059	-0.075	-0.152	-0.645
	(0.195)	(0.206)	(0.201)	(0.069)	(0.066)	(0.111)	(0.192)	(0.271)	(0.715)
Natural resources	0.006	0.040	0.087*	0.042	0.051	0.079**	0.109**	0.060	0.087
	(0.054)	(0.056)	(0.050)	(0.032)	(0.032)	(0.034)	(0.049)	(0.082)	(0.134)
Financial openness	0.177	0.386	0.248	0.176	0.220*	0.347**	0.693**	0.576	0.961
	(0.364)	(0.285)	(0.370)	(0.161)	(0.133)	(0.160)	(0.306)	(0.459)	(0.820)
Schooling	0.267	-0.347***	-0.237**	-0.207***	-0.195***	-0.230***	-0.271**	-0.436***	-0.655**
	(0.230)	(0.128)	(0.094)	(0.063)	(0.045)	(0.067)	(0.121)	(0.167)	(0.284)
Aid flows	-13.388**	5.122	-1.817	-1.817	-1.834	-0.992	3.530	12.164	17.224
	(5.170)	(3.787)	(3.032)	(2.092)	(2.184)	(1.838)	(4.670)	(10.635)	(22.773)
External debt	-0.459	-1.159*	-1.090**	-0.786**	-0.536**	-0.133	0.013	-0.044	-0.736
	(0.655)	(0.598)	(0.466)	(0.343)	(0.243)	(0.364)	(0.477)	(0.791)	(1.402)
Infrastructure	-0.194	-0.154*	-0.018	0.033	0.034	-0.032	-0.088	-0.028	0.025
	(0.140)	(0.088)	(0.044)	(0.037)	(0.033)	(0.046)	(0.081)	(0.148)	(0.180)
Population growth	-0.649*	0.090	-0.414**	-0.071	-0.070	0.368*	0.513	0.129	-0.163
	(0.359)	(0.327)	(0.204)	(0.179)	(0.105)	(0.213)	(0.341)	(0.624)	(0.854)
Net foreign assets	0.000	-0.000	0.000	-0.000	-0.000	-0.000	-0.000	-0.001*	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.636	-1.680***	-0.223	-0.197	-0.360	-0.132	-0.382	-1.237	-2.310
	(0.693)	(0.624)	(0.417)	(0.318)	(0.329)	(0.400)	(0.587)	(1.437)	(1.752)
Financial crisis dummy	1.208*	1.138	0.498	0.250	0.106	0.047	2.252*	4.787	6.553
	(0.674)	(0.698)	(0.452)	(0.332)	(0.263)	(0.477)	(1.286)	(3.409)	(4.113)
Landlocked dummy	-	2.660*	-0.277	-0.242	0.461	0.774	2.520	3.661	-0.133
		(1.589)	(1.141)	(0.874)	(0.672)	(1.090)	(2.075)	(2.693)	(3.576)
Legal origin dummy	-	-1.520	-1.121	-0.314	-0.417	0.106	-0.839	0.136	-3.468
		(1.328)	(0.840)	(0.737)	(0.459)	(0.892)	(1.217)	(2.500)	(3.498)
Quantitative easing dummy	1.970**	3.015***	0.484	0.686*	0.538	0.797	0.828	4.751*	8.572*
	(0.860)	(0.866)	(0.503)	(0.370)	(0.329)	(0.540)	(0.952)	(2.711)	(4.653)
Exchange rate regime	0.100	0.141***	0.070*	0.049*	0.034	0.041	0.125**	0.116	0.368**
	(0.094)	(0.053)	(0.038)	(0.030)	(0.022)	(0.029)	(0.062)	(0.114)	(0.184)
Law and order	0.753*	0.112	0.116	0.181	0.222**	0.423**	0.251	0.342	-0.234
	(0.447)	(0.290)	(0.154)	(0.137)	(0.094)	(0.167)	(0.269)	(0.472)	(0.775)
Aid flow*LAW	-0.082	0.024	0.170	0.150*	0.158**	-0.138*	-0.313*	-0.158	-0.095
	(0.187)	(0.160)	(0.114)	(0.084)	(0.070)	(0.083)	(0.164)	(0.348)	(0.462)
Financial openness*LAW	-0.068	-0.095	-0.292	-0.160	-0.082	-0.182*	-0.306	-0.097	-0.188
	(0.210)	(0.200)	(0.366)	(0.118)	(0.084)	(0.094)	(0.225)	(0.325)	(0.656)
Natural resources*LAW	-0.058	0.099	0.034	0.053	0.089	0.119**	-0.060	-0.096	-0.212
	(0.145)	(0.119)	(0.093)	(0.059)	(0.055)	(0.061)	(0.123)	(0.217)	(0.344)
Legal origin*LAW	-0.580	0.381	0.361	0.141	0.178	0.124	0.306	-0.092	0.371
	(0.599)	(0.374)	(0.241)	(0.225)	(0.129)	(0.232)	(0.310)	(0.670)	(0.803)
Landlocked*LAW	-0.095	-1.237**	-0.047	-0.059	-0.204	-0.384	-0.906	-1.505**	-0.492
	(0.699)	(0.481)	(0.383)	(0.271)	(0.203)	(0.306)	(0.573)	(0.754)	(1.014)
Constant	0.717	7.113*	3.375	1.378	1.956	-0.074	0.433	6.048	13.976
	(4.162)	(3.783)	(2.401)	(2.121)	(1.779)	(2.657)	(3.733)	(8.596)	(10.412)
R-squared	0.244								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 58: Regression results of ethnic tensions indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.082**	0.039	0.053**	0.059***	0.101***	0.085*	0.075	0.070
	(0.040)	(0.041)	(0.025)	(0.021)	(0.017)	(0.031)	(0.044)	(0.067)	(0.065)
Inflation	0.000	-0.002	0.004	-0.001	-0.001	-0.004	0.000	0.003	0.004
	(0.013)	(0.013)	(0.008)	(0.006)	(0.006)	(0.008)	(0.010)	(0.014)	(0.018)
Trade openness	0.044***	0.037***	-0.000	0.007	0.013***	0.022***	0.031***	0.062***	0.063**
	(0.016)	(0.009)	(0.011)	(0.007)	(0.004)	(0.005)	(0.010)	(0.020)	(0.028)
Gross capital formation	0.150***	0.090***	-0.028	-0.013	0.003	0.026	0.088**	0.152***	0.234***
	(0.031)	(0.024)	(0.026)	(0.013)	(0.013)	(0.016)	(0.038)	(0.058)	(0.072)
US GDP per capita growth	0.095	0.040	-0.063	-0.068	-0.037	-0.189*	0.065	0.394	0.257
	(0.140)	(0.147)	(0.091)	(0.071)	(0.058)	(0.100)	(0.191)	(0.398)	(0.592)
US central bank policy rate	-0.029	0.035	0.111	0.068	0.074	0.128	0.027	-0.230	-0.413
	(0.135)	(0.145)	(0.098)	(0.066)	(0.061)	(0.082)	(0.153)	(0.330)	(0.455)
US volatility VIX	0.004	0.113**	0.035*	0.040**	0.021	0.032	0.068	0.097	0.021
	(0.046)	(0.046)	(0.020)	(0.019)	(0.021)	(0.025)	(0.043)	(0.119)	(0.235)
US policy uncertainty	-0.006	-0.019	-0.004	-0.005	-0.000	-0.001	-0.007	-0.029	-0.034
	(0.012)	(0.013)	(0.009)	(0.005)	(0.005)	(0.006)	(0.012)	(0.021)	(0.045)
US commodity price	-0.286	-0.201	-0.033	0.029	-0.029	-0.005	0.014	-0.246	-0.554
	(0.195)	(0.209)	(0.167)	(0.082)	(0.065)	(0.124)	(0.206)	(0.364)	(0.777)
Natural resources	-0.000	0.041	0.116*	0.047	0.046	0.075**	0.092**	0.025	0.090
	(0.054)	(0.056)	(0.064)	(0.040)	(0.029)	(0.031)	(0.046)	(0.090)	(0.153)
Financial openness	0.247	0.285	0.170	0.323	0.246	0.434***	0.679**	0.404	0.092
	(0.368)	(0.281)	(0.460)	(0.231)	(0.154)	(0.148)	(0.314)	(0.623)	(0.984)
Schooling	0.255	-0.414***	-0.255**	-0.230***	-0.205***	-0.237***	-0.343***	-0.506***	-0.908***
	(0.227)	(0.115)	(0.108)	(0.072)	(0.053)	(0.069)	(0.124)	(0.175)	(0.264)
Aid flows	-13.438**	3.910	1.015	0.005	-2.355	-3.635*	0.916	9.457	7.615
	(5.121)	(3.730)	(2.837)	(2.336)	(2.285)	(2.005)	(4.045)	(9.145)	(16.125)
External debt	-0.484	-0.940	-1.029*	-0.510	-0.108	-0.102	-0.289	-0.529	-0.378
	(0.656)	(0.593)	(0.546)	(0.391)	(0.324)	(0.311)	(0.558)	(0.959)	(1.493)
Infrastructure	-0.177	-0.113	0.016	0.052	0.048	-0.059	-0.065	0.020	0.055
	(0.136)	(0.084)	(0.052)	(0.044)	(0.038)	(0.046)	(0.098)	(0.147)	(0.169)
Population growth	-0.662*	0.153	-0.130	-0.044	0.154	0.243	0.248	0.064	-0.429
	(0.362)	(0.319)	(0.233)	(0.160)	(0.095)	(0.196)	(0.349)	(0.605)	(0.761)
Net foreign assets	0.000	-0.000	0.000	0.000	0.000	-0.000	-0.000	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.734	-1.656***	-0.589	-0.247	-0.209	-0.225	-0.739	-1.416	-3.739*
	(0.693)	(0.613)	(0.484)	(0.359)	(0.364)	(0.337)	(0.535)	(1.315)	(2.216)
Financial crisis dummy	1.138*	1.057	0.206	0.141	0.318	0.067	1.877	5.185	7.330
	(0.678)	(0.707)	(0.412)	(0.388)	(0.322)	(0.478)	(1.287)	(3.281)	(4.578)
Landlocked dummy	-	2.596	-0.991	-0.830	1.007	2.663*	2.226	4.195	3.847
		(1.957)	(1.236)	(0.953)	(1.208)	(1.517)	(2.534)	(3.241)	(4.491)
Legal origin dummy	-	-1.269	-0.870	-0.465	-0.151	0.316	-0.806	-0.625	-1.839
		(1.147)	(0.949)	(0.750)	(0.577)	(0.798)	(1.227)	(1.781)	(2.108)
Quantitative easing dummy	1.682*	2.997***	1.061**	0.996***	0.520	0.526	1.333	4.885*	8.088**
	(0.863)	(0.867)	(0.492)	(0.369)	(0.340)	(0.467)	(1.225)	(2.576)	(4.080)
Exchange rate regime	0.093	0.128***	0.050	0.056*	0.028	0.021	0.095*	0.096	0.242
	(0.093)	(0.047)	(0.045)	(0.030)	(0.027)	(0.028)	(0.053)	(0.096)	(0.161)
Ethnic tensions	0.564	0.168	-0.067	-0.021	0.191**	0.341***	0.211	0.201	0.386
	(0.355)	(0.229)	(0.212)	(0.155)	(0.096)	(0.122)	(0.249)	(0.479)	(0.546)
Aid flow*ETHNIC	-0.080	0.145	0.063	0.127	0.094	0.007	-0.103	-0.011	0.121
	(0.176)	(0.151)	(0.116)	(0.082)	(0.079)	(0.089)	(0.201)	(0.280)	(0.434)
Financial openness*ETHNIC	-0.136	-0.076	-0.296	-0.224	-0.140*	-0.227**	-0.225	-0.062	0.163
	(0.191)	(0.178)	(0.370)	(0.149)	(0.077)	(0.088)	(0.152)	(0.394)	(0.646)
Natural resources*ETHNIC	0.014	0.115	-0.068	0.008	0.072	0.088	-0.023	0.070	0.150
	(0.127)	(0.099)	(0.106)	(0.059)	(0.053)	(0.056)	(0.117)	(0.212)	(0.310)
Legal origin*ETHNIC	-0.137	0.332	0.279	0.153	0.118	0.092	0.285	0.098	0.026
	(0.475)	(0.318)	(0.278)	(0.230)	(0.168)	(0.188)	(0.298)	(0.541)	(0.530)
Landlocked*ETHNIC	-0.002	-1.083**	0.135	0.117	-0.379	-0.880**	-0.785	-1.404*	-1.577
	(0.690)	(0.500)	(0.342)	(0.257)	(0.297)	(0.376)	(0.614)	(0.810)	(1.145)
Constant	0.880	6.261*	5.235**	2.325	0.491	0.732	3.077	5.944	20.125
	(4.150)	(3.593)	(2.533)	(2.159)	(1.964)	(2.103)	(3.553)	(8.546)	(12.351)
R-squared	0.246								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 59: Regression results of democratic accountability indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	-0.002	0.033	0.054**	0.060***	0.061***	0.074**	0.059	0.042	0.025
	(0.040)	(0.040)	(0.025)	(0.017)	(0.018)	(0.033)	(0.042)	(0.056)	(0.061)
Inflation	0.003	-0.003	0.000	-0.007	-0.006	-0.013	-0.002	-0.001	0.005
	(0.013)	(0.013)	(0.008)	(0.006)	(0.006)	(0.008)	(0.010)	(0.017)	(0.025)
Trade openness	0.042**	0.037***	-0.000	0.008*	0.013***	0.020***	0.037***	0.055***	0.051**
	(0.017)	(0.013)	(0.010)	(0.004)	(0.005)	(0.006)	(0.008)	(0.017)	(0.021)
Gross capital formation	0.150***	0.120***	-0.022	-0.002	0.007	0.029	0.086**	0.148**	0.224***
	(0.031)	(0.028)	(0.025)	(0.012)	(0.014)	(0.019)	(0.034)	(0.061)	(0.073)
US GDP per capita growth	0.103	0.069	-0.024	-0.108*	-0.065	-0.098	0.143	0.156	-0.015
	(0.140)	(0.141)	(0.095)	(0.059)	(0.068)	(0.118)	(0.202)	(0.428)	(0.606)
US central bank policy rate	-0.054	0.004	0.114	0.039	0.044	0.097	0.001	-0.262	-0.224
	(0.136)	(0.138)	(0.140)	(0.066)	(0.073)	(0.092)	(0.140)	(0.322)	(0.495)
US volatility VIX	0.021	0.070	0.019	0.035*	0.019	0.031	0.051	-0.002	-0.060
	(0.045)	(0.044)	(0.034)	(0.020)	(0.021)	(0.031)	(0.043)	(0.117)	(0.205)
US policy uncertainty	-0.012	-0.016	0.001	-0.011**	-0.007	-0.004	-0.004	-0.019	-0.025
	(0.012)	(0.012)	(0.010)	(0.005)	(0.006)	(0.007)	(0.010)	(0.021)	(0.037)
US commodity price	-0.281	-0.240	-0.105	-0.004	0.005	0.020	-0.178	-0.333	-0.791
	(0.195)	(0.198)	(0.190)	(0.076)	(0.070)	(0.098)	(0.169)	(0.393)	(0.684)
Natural resources	0.002	0.026	0.081	0.057*	0.047*	0.091**	0.083*	0.081	0.034
	(0.055)	(0.055)	(0.055)	(0.032)	(0.026)	(0.042)	(0.043)	(0.103)	(0.156)
Financial openness	0.297	0.625**	0.286	0.246	0.409**	0.415***	0.730**	0.825*	0.843*
	(0.356)	(0.293)	(0.270)	(0.173)	(0.176)	(0.139)	(0.291)	(0.440)	(0.511)
Schooling	0.253	-0.282*	-0.193*	-0.196***	-0.252***	-0.285***	-0.451***	-0.685***	-0.941***
	(0.232)	(0.169)	(0.098)	(0.063)	(0.057)	(0.076)	(0.128)	(0.188)	(0.285)
Aid flows	-13.156**	-2.043	0.843	0.308	-0.682	-2.294	-4.808	4.718	2.728
	(5.241)	(4.375)	(3.116)	(1.961)	(1.749)	(2.040)	(3.816)	(9.006)	(13.452)
External debt	-0.404	-0.792	-1.165**	-0.671*	-0.539	-0.146	-0.022	0.429	1.089
	(0.659)	(0.634)	(0.541)	(0.364)	(0.370)	(0.410)	(0.510)	(1.123)	(1.476)
Infrastructure	-0.144	-0.205*	-0.072	0.026	0.073*	-0.008	-0.026	0.081	0.304
	(0.138)	(0.107)	(0.079)	(0.042)	(0.043)	(0.063)	(0.078)	(0.153)	(0.195)
Population growth	-0.759**	-0.351	-0.499*	-0.203	0.050	0.248	0.502*	-0.251	-0.036
	(0.366)	(0.347)	(0.289)	(0.182)	(0.138)	(0.216)	(0.262)	(0.564)	(0.757)
Net foreign assets	0.000	0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.666	-1.241*	-0.337	-0.394	-0.323	-0.353	-0.780	-1.780	-2.418
	(0.703)	(0.666)	(0.524)	(0.320)	(0.370)	(0.439)	(0.554)	(1.437)	(1.930)
Financial crisis dummy	1.158*	1.244*	0.307	0.138	0.489	0.440	2.138	3.976	7.332
	(0.673)	(0.677)	(0.586)	(0.354)	(0.360)	(0.607)	(1.392)	(3.579)	(4.539)
Landlocked dummy	-	-0.220	-1.535*	-0.888	-0.268	-0.087	1.266	0.997	3.344
		(1.625)	(0.873)	(0.660)	(0.639)	(0.766)	(1.299)	(2.138)	(2.987)
Legal origin dummy	-	-0.572	0.623	0.544	0.374	0.307	0.021	0.661	-0.938
		(1.397)	(1.035)	(0.530)	(0.537)	(0.677)	(1.107)	(1.956)	(2.778)
Quantitative easing dummy	2.118**	2.657***	0.813	1.277***	0.887**	0.768	1.298	4.950*	9.174*
	(0.871)	(0.859)	(0.581)	(0.353)	(0.381)	(0.557)	(1.055)	(2.582)	(4.932)
Exchange rate regime	0.139	0.114	0.039	0.035	0.035	0.031	0.089*	0.075	0.121
	(0.098)	(0.070)	(0.052)	(0.025)	(0.023)	(0.035)	(0.053)	(0.099)	(0.146)
Democratic accountability	0.370	0.337	0.037	-0.113	-0.186*	-0.006	0.515*	1.034	1.133
	(0.314)	(0.289)	(0.245)	(0.142)	(0.112)	(0.178)	(0.301)	(0.686)	(0.835)
Aid flow*DEMOC	0.064	0.225	0.117	0.177**	0.207**	0.059	-0.009	0.165	0.059
	(0.167)	(0.159)	(0.153)	(0.085)	(0.094)	(0.107)	(0.158)	(0.297)	(0.442)
Financial openness*DEMOC	-0.137	-0.321*	-0.309	-0.177	-0.189	-0.220**	-0.400**	-0.365	-0.669
	(0.200)	(0.184)	(0.292)	(0.136)	(0.127)	(0.105)	(0.188)	(0.290)	(0.476)
Natural resources*DEMOC	-0.100	0.035	-0.018	0.022	0.025	0.034	-0.000	0.062	0.073
	(0.145)	(0.130)	(0.095)	(0.054)	(0.050)	(0.077)	(0.120)	(0.238)	(0.377)
Legal origin*DEMOC	0.081	0.084	-0.107	-0.050	0.008	0.105	0.108	-0.401	-0.164
	(0.383)	(0.364)	(0.305)	(0.170)	(0.167)	(0.202)	(0.334)	(0.598)	(0.877)
Landlocked*DEMOC	0.001	-0.265	0.280	0.097	-0.042	-0.179	-0.511	-0.671	-1.464*
	(0.481)	(0.454)	(0.327)	(0.211)	(0.197)	(0.246)	(0.373)	(0.651)	(0.835)
Constant	1.096	5.714	4.404	4.102**	3.334*	2.505	1.640	8.802	13.528
	(4.083)	(3.840)	(2.906)	(1.716)	(1.889)	(2.527)	(3.627)	(8.918)	(10.807)
R-squared	0.245								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 60: Regression results of bureaucracy quality indicator effect on FDI inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.045	0.036	0.062***	0.057***	0.064**	0.093**	0.053	0.035
	(0.040)	(0.040)	(0.026)	(0.019)	(0.021)	(0.030)	(0.046)	(0.058)	(0.085)
Inflation	0.003	-0.006	-0.006	-0.008	-0.005	-0.008	-0.011	-0.005	0.001
	(0.013)	(0.013)	(0.007)	(0.006)	(0.006)	(0.008)	(0.010)	(0.015)	(0.019)
Trade openness	0.046***	0.038***	-0.007	0.010	0.014**	0.025***	0.038***	0.064***	0.088***
	(0.016)	(0.012)	(0.010)	(0.006)	(0.005)	(0.006)	(0.009)	(0.020)	(0.024)
Gross capital formation	0.153***	0.121***	0.008	-0.007	0.003	0.029*	0.076**	0.180***	0.188***
	(0.031)	(0.027)	(0.024)	(0.013)	(0.014)	(0.017)	(0.032)	(0.057)	(0.070)
US GDP per capita growth	0.108	0.044	-0.004	-0.028	-0.069	-0.114	-0.021	0.169	-0.090
	(0.139)	(0.142)	(0.088)	(0.059)	(0.077)	(0.114)	(0.199)	(0.451)	(0.665)
US central bank policy rate	-0.009	0.027	0.091	0.002	-0.001	0.153*	0.112	-0.169	0.001
	(0.136)	(0.140)	(0.100)	(0.069)	(0.059)	(0.093)	(0.182)	(0.312)	(0.609)
US volatility VIX	0.010	0.063	0.061**	0.024	0.026	0.031	0.036	0.010	0.119
	(0.045)	(0.045)	(0.024)	(0.020)	(0.021)	(0.029)	(0.044)	(0.098)	(0.222)
US policy uncertainty	-0.009	-0.017	-0.008	-0.007	-0.009	-0.001	-0.005	-0.020	-0.026
	(0.012)	(0.012)	(0.008)	(0.005)	(0.006)	(0.006)	(0.011)	(0.022)	(0.050)
US commodity price	-0.289	-0.223	-0.014	-0.052	-0.022	0.038	-0.176	-0.131	-0.461
	(0.195)	(0.201)	(0.164)	(0.103)	(0.059)	(0.093)	(0.206)	(0.378)	(0.864)
Natural resources	0.005	0.049	0.096*	0.053*	0.045	0.085**	0.086*	0.015	0.025
	(0.054)	(0.054)	(0.051)	(0.029)	(0.031)	(0.037)	(0.044)	(0.084)	(0.143)
Financial openness	0.381	0.611**	0.787*	0.523	0.496***	0.511***	0.692***	0.699	0.779*
	(0.368)	(0.299)	(0.462)	(0.341)	(0.173)	(0.156)	(0.249)	(0.456)	(0.433)
Schooling	0.323	-0.288*	-0.196**	-0.248***	-0.172***	-0.206***	-0.356***	-0.520***	-0.742***
	(0.230)	(0.156)	(0.088)	(0.059)	(0.047)	(0.071)	(0.118)	(0.178)	(0.246)
Aid flows	-14.309**	0.928	2.251	0.217	0.120	-0.572	0.628	10.428	24.887
	(5.170)	(4.162)	(2.413)	(2.092)	(1.794)	(1.975)	(4.356)	(10.517)	(19.032)
External debt	-0.742	-1.192*	-0.769	-0.500	-0.557	-0.457	0.039	-0.476	-0.841
	(0.687)	(0.644)	(0.526)	(0.432)	(0.345)	(0.483)	(0.581)	(0.856)	(1.546)
Infrastructure	-0.194	-0.221**	-0.017	0.045	0.082*	0.023	-0.032	-0.040	0.170
	(0.136)	(0.101)	(0.050)	(0.047)	(0.045)	(0.061)	(0.096)	(0.155)	(0.169)
Population growth	-0.670*	-0.036	-0.055	-0.080	0.145	0.313	0.515	0.236	0.365
	(0.370)	(0.337)	(0.225)	(0.171)	(0.146)	(0.211)	(0.360)	(0.658)	(0.866)
Net foreign assets	0.000	-0.000	0.000	-0.000	0.000	-0.000	-0.000	-0.001	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Terms of trade	-0.768	-1.475**	-0.426	-0.245	-0.371	-0.604	-1.113	-1.346	-1.968
	(0.702)	(0.659)	(0.353)	(0.347)	(0.338)	(0.401)	(0.677)	(1.169)	(1.662)
Financial crisis dummy	1.185*	1.331*	-0.104	0.520	0.112	0.078	2.009	6.477**	5.919
	(0.673)	(0.683)	(0.418)	(0.343)	(0.345)	(0.605)	(1.247)	(3.197)	(4.089)
Landlocked dummy	-	-0.671	-1.417*	-0.822*	-0.420	-0.217	-0.889	-1.517	-1.560
		(1.215)	(0.758)	(0.481)	(0.408)	(0.601)	(0.833)	(1.368)	(2.196)
Legal origin dummy	-	0.561	-0.445	0.522	0.799*	1.617***	0.061	-0.289	-0.406
		(1.049)	(0.667)	(0.483)	(0.435)	(0.520)	(0.788)	(1.381)	(1.912)
Quantitative easing dummy	1.800**	2.670***	1.118**	0.738**	1.039**	0.678	1.288	4.317	8.116*
	(0.857)	(0.856)	(0.503)	(0.372)	(0.451)	(0.587)	(1.113)	(2.812)	(4.282)
Exchange rate regime	0.088	0.117*	0.037	0.033	0.033	0.006	0.088	0.148	0.337***
	(0.094)	(0.066)	(0.034)	(0.027)	(0.024)	(0.031)	(0.062)	(0.106)	(0.129)
Bureaucracy quality	0.995**	0.248	-0.775*	-0.143	-0.101	0.161	0.189	0.458	1.042
	(0.456)	(0.413)	(0.458)	(0.328)	(0.213)	(0.241)	(0.300)	(0.569)	(0.771)
Aid flow*BUR	-0.236	-0.113	0.172	0.246	0.260*	-0.083	-0.325	-0.601	-1.000**
	(0.294)	(0.279)	(0.269)	(0.198)	(0.150)	(0.172)	(0.246)	(0.424)	(0.500)
Financial openness*BUR	-0.493	-0.596*	-1.201	-0.728	-0.536**	-0.456**	-0.618**	-0.579	-0.748
	(0.353)	(0.346)	(0.732)	(0.509)	(0.239)	(0.219)	(0.262)	(0.437)	(0.499)
Natural resources*BUR	-0.237	-0.116	-0.032	0.027	0.013	0.195	-0.197	-0.327	-0.404
	(0.273)	(0.240)	(0.173)	(0.103)	(0.092)	(0.139)	(0.196)	(0.288)	(0.405)
Legal origin*BUR	-0.525	-0.505	0.770*	-0.094	-0.391	-0.557*	0.135	-0.220	-1.094
	(0.726)	(0.556)	(0.425)	(0.301)	(0.249)	(0.284)	(0.392)	(0.716)	(1.002)
Landlocked*BUR	0.131	-0.167	0.478	0.225	0.136	-0.167	0.127	0.443	0.273
	(1.072)	(0.707)	(0.425)	(0.246)	(0.210)	(0.362)	(0.517)	(0.808)	(1.041)
Constant	1.930	7.468**	4.878**	3.280**	3.023	2.668	4.903	6.835	7.119
	(4.043)	(3.785)	(2.237)	(1.494)	(1.888)	(2.463)	(4.470)	(7.749)	(9.433)
R-squared	0.247								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable is the FDI inflows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 61:Regression results of government stability indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.003	0.005	0.004	0.002	0.000	-0.000	0.001	0.007
	(0.003)	(0.003)	(0.007)	(0.004)	(0.003)	(0.002)	(0.002)	(0.004)	(0.009)
Inflation	0.000	0.000	-0.002	0.001	0.000	0.000	-0.001	-0.000	-0.003
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.002	-0.001	-0.000	0.000	0.001**	0.003**	0.004**
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.000)	(0.001)	(0.002)
Gross capital formation	-0.001	-0.001	0.008*	0.003	0.001	-0.001	-0.001	-0.006**	-0.007
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.024*	-0.026**	-0.052**	-0.040**	-0.014	-0.013**	-0.026***	-0.034*	-0.026
	(0.012)	(0.012)	(0.023)	(0.017)	(0.011)	(0.006)	(0.009)	(0.020)	(0.043)
US central bank policy rate	0.012	0.012	0.049**	0.038***	0.018**	0.009*	-0.005	-0.004	0.021
	(0.011)	(0.011)	(0.022)	(0.014)	(0.008)	(0.005)	(0.009)	(0.018)	(0.040)
US volatility VIX	-0.002	-0.002	-0.015	-0.008	-0.002	-0.001	-0.007**	-0.003	-0.001
	(0.004)	(0.004)	(0.010)	(0.006)	(0.003)	(0.002)	(0.003)	(0.006)	(0.012)
US policy uncertainty	-0.001	-0.001	0.004**	0.003**	0.001	-0.000	-0.002**	-0.004**	-0.002
	(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)
US commodity price	0.024	0.025	0.141**	0.087*	0.041**	0.012	0.009	0.008	0.000
	(0.016)	(0.016)	(0.055)	(0.048)	(0.020)	(0.011)	(0.018)	(0.025)	(0.062)
Natural resources	0.005	0.006	0.014	0.005	-0.000	-0.001	0.004	0.013**	0.000
	(0.005)	(0.004)	(0.017)	(0.007)	(0.004)	(0.003)	(0.003)	(0.007)	(0.011)
Financial openness	0.023	0.005	0.013	-0.010	-0.002	0.009	0.023	0.027	0.026
	(0.032)	(0.024)	(0.044)	(0.030)	(0.015)	(0.009)	(0.016)	(0.030)	(0.058)
Schooling	0.002	0.008	0.017	0.009	0.009	0.002	-0.007	0.001	0.007
	(0.019)	(0.011)	(0.016)	(0.009)	(0.005)	(0.004)	(0.006)	(0.013)	(0.020)
Aid flows	0.793*	0.866***	2.061***	0.605	0.360	0.151	-0.051	0.407	2.311*
	(0.439)	(0.330)	(0.565)	(0.442)	(0.260)	(0.189)	(0.359)	(1.111)	(1.219)
External debt	0.008	-0.002	-0.318**	-0.204***	-0.095**	-0.018	0.063	0.143	0.143
	(0.056)	(0.049)	(0.130)	(0.073)	(0.042)	(0.026)	(0.047)	(0.089)	(0.128)
Infrastructure	-0.003	0.001	-0.003	-0.002	-0.008	-0.001	0.004	0.000	0.005
	(0.011)	(0.007)	(0.011)	(0.009)	(0.005)	(0.005)	(0.006)	(0.011)	(0.013)
Population growth	0.019	0.016	0.069	0.034	0.015	-0.012	-0.018	-0.016	-0.004
	(0.030)	(0.027)	(0.049)	(0.031)	(0.018)	(0.016)	(0.020)	(0.038)	(0.056)
Net foreign assets	0.000**	0.000*	0.000	0.000	-0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.130**	0.082	0.200	0.041	0.032	0.022	0.000	0.025	-0.068
	(0.059)	(0.051)	(0.163)	(0.088)	(0.040)	(0.035)	(0.044)	(0.110)	(0.128)
Financial crisis dummy	-0.000	-0.007	-0.115	-0.123	-0.037	-0.010	0.031	0.059	0.107
	(0.057)	(0.055)	(0.113)	(0.081)	(0.057)	(0.025)	(0.042)	(0.122)	(0.271)
Landlocked dummy	-	0.058	-0.079	-0.021	0.036	0.037	0.103	-0.012	-0.331
		(0.139)	(0.229)	(0.177)	(0.103)	(0.075)	(0.089)	(0.208)	(0.441)
Legal origin dummy	-	0.131	0.531*	0.091	0.002	0.070	0.128	0.099	0.175
		(0.132)	(0.306)	(0.219)	(0.109)	(0.078)	(0.117)	(0.230)	(0.350)
Quantitative easing dummy	0.056	0.080	-0.231*	-0.139	-0.031	0.021	0.138**	0.254**	0.131
	(0.074)	(0.069)	(0.129)	(0.099)	(0.048)	(0.036)	(0.055)	(0.104)	(0.207)
Exchange rate regime	-0.005	-0.003	-0.005	-0.006	-0.002	-0.002	-0.000	0.003	-0.002
	(0.008)	(0.005)	(0.009)	(0.006)	(0.004)	(0.002)	(0.004)	(0.007)	(0.011)
Government stability	0.032***	0.031***	0.072**	0.030*	0.018**	0.011**	0.025***	0.028	0.012
	(0.012)	(0.011)	(0.030)	(0.017)	(0.009)	(0.005)	(0.008)	(0.019)	(0.027)
Aid flow*GOVST	-0.006	-0.005	-0.016	-0.004	-0.002	0.001	0.000	-0.012	-0.025*
	(0.006)	(0.005)	(0.012)	(0.006)	(0.003)	(0.003)	(0.004)	(0.009)	(0.013)
Financial openness*GOVST	-0.003	0.001	0.004	0.002	0.003	0.001	-0.006	-0.009	-0.013
	(0.008)	(0.007)	(0.014)	(0.009)	(0.004)	(0.003)	(0.004)	(0.009)	(0.019)
Natural resources*GOVST	-0.006	-0.004	-0.019	-0.004	-0.003	-0.000	-0.001	0.003	0.009
	(0.005)	(0.004)	(0.012)	(0.005)	(0.003)	(0.002)	(0.002)	(0.005)	(0.008)
Legal origin*GOVST	-0.016	-0.015	-0.058*	-0.009	-0.001	-0.006	-0.011	-0.013	-0.022
	(0.016)	(0.014)	(0.032)	(0.023)	(0.012)	(0.009)	(0.013)	(0.024)	(0.037)
Landlocked*GOVST	-0.013	-0.013	0.003	-0.000	-0.007	-0.008	-0.012	0.001	0.021
	(0.017)	(0.016)	(0.025)	(0.021)	(0.012)	(0.008)	(0.010)	(0.021)	(0.046)
Constant	-0.737**	-0.583*	-2.008*	-0.729	-0.385	-0.102	0.252	0.277	0.643
	(0.341)	(0.307)	(1.043)	(0.612)	(0.238)	(0.189)	(0.252)	(0.622)	(0.790)
R-squared	0.066								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 62: Regression results of socioeconomic conditions indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.003	0.003	0.004	0.001	-0.000	0.002	0.004	0.009
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.001)	(0.002)	(0.004)	(0.008)
Inflation	0.000	0.000	0.001	0.001	-0.000	-0.000	-0.001	-0.001	-0.003
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.001	-0.001	0.000	0.000	0.001**	0.002**	0.003**
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.001)
Gross capital formation	-0.000	0.000	0.008*	0.004	0.002	-0.000	-0.001	-0.008***	-0.012***
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.001)	(0.002)	(0.004)
US GDP per capita growth	-0.018	-0.019*	-0.046*	-0.038**	-0.007	-0.008	-0.024**	-0.026	-0.043
	(0.012)	(0.011)	(0.024)	(0.019)	(0.009)	(0.005)	(0.009)	(0.018)	(0.044)
US central bank policy rate	0.010	0.010	0.038*	0.043***	0.017**	0.010**	0.003	0.003	0.021
	(0.012)	(0.011)	(0.020)	(0.016)	(0.008)	(0.005)	(0.008)	(0.016)	(0.030)
US volatility VIX	-0.001	-0.000	-0.001	-0.008	-0.000	-0.000	-0.002	-0.005	0.005
	(0.004)	(0.004)	(0.010)	(0.007)	(0.003)	(0.002)	(0.003)	(0.008)	(0.012)
US policy uncertainty	-0.001	-0.001	0.001	0.003*	0.000	-0.000	-0.002*	-0.003*	-0.004
	(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
US commodity price	0.024	0.025	0.110**	0.072	0.031*	0.016	0.020	-0.012	0.027
	(0.017)	(0.016)	(0.048)	(0.048)	(0.018)	(0.011)	(0.018)	(0.031)	(0.073)
Natural resources	0.005	0.006	0.009	0.002	0.000	-0.000	0.006*	0.011	0.003
	(0.005)	(0.004)	(0.010)	(0.007)	(0.004)	(0.003)	(0.004)	(0.007)	(0.010)
Financial openness	0.011	0.009	0.002	-0.017	0.004	0.011	0.022	0.039	0.029
	(0.030)	(0.023)	(0.038)	(0.031)	(0.014)	(0.008)	(0.016)	(0.028)	(0.038)
Schooling	0.005	0.005	0.020	0.013	0.008	-0.001	-0.004	0.008	0.006
	(0.020)	(0.012)	(0.023)	(0.013)	(0.006)	(0.003)	(0.006)	(0.010)	(0.019)
Aid flows	0.768*	0.854**	1.696***	0.718	0.398*	0.110	0.379	1.156	2.288**
	(0.455)	(0.349)	(0.583)	(0.444)	(0.211)	(0.161)	(0.367)	(0.983)	(1.095)
External debt	0.009	-0.004	-0.269***	-0.259***	-0.107***	-0.035	0.053	0.191***	0.196
	(0.056)	(0.050)	(0.090)	(0.086)	(0.035)	(0.026)	(0.046)	(0.074)	(0.124)
Infrastructure	0.002	0.004	0.027*	0.004	-0.001	0.002	0.002	0.001	-0.010
	(0.012)	(0.008)	(0.016)	(0.013)	(0.005)	(0.006)	(0.007)	(0.011)	(0.015)
Population growth	0.011	0.012	0.041	0.033	0.020	0.002	-0.028	-0.013	-0.022
	(0.030)	(0.027)	(0.039)	(0.031)	(0.018)	(0.016)	(0.022)	(0.036)	(0.069)
Net foreign assets	0.000**	0.000*	0.000	0.000	-0.000	-0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.126**	0.094*	0.183	0.075	0.068*	0.011	0.004	0.029	-0.104
	(0.059)	(0.052)	(0.116)	(0.078)	(0.040)	(0.030)	(0.046)	(0.115)	(0.122)
Financial crisis dummy	-0.008	-0.012	-0.199**	-0.116	-0.060	-0.002	0.018	0.191**	0.151
	(0.057)	(0.055)	(0.100)	(0.078)	(0.055)	(0.025)	(0.051)	(0.091)	(0.300)
Landlocked dummy	-	-0.115	-0.218	-0.174	-0.114	-0.083*	-0.055	-0.059	-0.176
		(0.113)	(0.167)	(0.113)	(0.072)	(0.046)	(0.079)	(0.140)	(0.193)
Legal origin dummy	-	-0.046	-0.069	-0.108	0.003	0.028	-0.011	-0.068	-0.088
		(0.102)	(0.192)	(0.152)	(0.060)	(0.048)	(0.078)	(0.122)	(0.230)
Quantitative easing dummy	0.020	0.037	-0.117	-0.193**	-0.074*	0.009	0.116**	0.226**	0.343*
	(0.073)	(0.069)	(0.119)	(0.097)	(0.042)	(0.032)	(0.053)	(0.107)	(0.205)
Exchange rate regime	-0.004	-0.002	-0.009	-0.004	-0.001	-0.002	0.002	-0.001	0.004
	(0.008)	(0.005)	(0.009)	(0.006)	(0.003)	(0.002)	(0.003)	(0.006)	(0.010)
Socioeconomic conditions	-0.015	-0.018	-0.068	-0.054	-0.020	-0.006	0.005	0.023	0.033
	(0.020)	(0.018)	(0.053)	(0.052)	(0.016)	(0.014)	(0.019)	(0.027)	(0.052)
Aid flow*SOCIO	-0.015	-0.012	0.021	-0.001	-0.002	0.002	-0.008	-0.045**	-0.077***
	(0.011)	(0.010)	(0.025)	(0.020)	(0.008)	(0.007)	(0.009)	(0.020)	(0.028)
Financial openness*SOCIO	-0.002	-0.001	0.009	0.012	0.001	-0.003	-0.008	-0.023*	-0.016
	(0.011)	(0.010)	(0.022)	(0.018)	(0.008)	(0.006)	(0.008)	(0.013)	(0.021)
Natural resources*SOCIO	-0.011	-0.010	-0.029	-0.010	-0.008*	-0.003	-0.004	-0.003	0.011
	(0.009)	(0.007)	(0.018)	(0.010)	(0.005)	(0.003)	(0.006)	(0.010)	(0.017)
Legal origin*SOCIO	0.013	0.011	0.040	0.030	-0.002	-0.005	0.005	0.018	0.014
	(0.026)	(0.021)	(0.040)	(0.032)	(0.015)	(0.012)	(0.017)	(0.026)	(0.044)
Landlocked*SOCIO	0.013	0.015	0.032	0.025	0.022	0.016	0.008	0.004	0.029
	(0.029)	(0.025)	(0.043)	(0.026)	(0.017)	(0.013)	(0.018)	(0.029)	(0.047)
Constant	-0.570	-0.347	-1.250	-0.456	-0.381*	0.031	0.316	0.438	1.083
	(0.347)	(0.310)	(0.789)	(0.518)	(0.216)	(0.168)	(0.283)	(0.670)	(0.804)
R-squared	0.061								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 63:Regression results of investment profile indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.005	0.006	0.006	0.002	0.001	0.001	0.001	0.002
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.002)	(0.003)	(0.005)	(0.009)
Inflation	-0.000	-0.000	0.002	0.001	-0.001	-0.000	-0.001	-0.002	-0.004
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)
Trade openness	0.002*	0.001	-0.002	-0.001	-0.000	0.000	0.001*	0.002**	0.003*
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
Gross capital formation	-0.000	-0.000	0.007**	0.006**	0.001	-0.000	-0.002	-0.005**	-0.006
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.001)	(0.002)	(0.004)
US GDP per capita growth	-0.018	-0.022*	-0.036*	-0.026*	-0.016*	-0.009	-0.021**	-0.026	-0.022
	(0.012)	(0.011)	(0.021)	(0.016)	(0.010)	(0.006)	(0.009)	(0.018)	(0.037)
US central bank policy rate	0.012	0.012	0.042**	0.042***	0.016**	0.008	0.002	0.004	0.030
	(0.011)	(0.011)	(0.020)	(0.015)	(0.007)	(0.005)	(0.008)	(0.017)	(0.031)
US volatility VIX	0.000	0.001	-0.015	-0.005	-0.001	0.000	-0.003	-0.006	-0.001
	(0.004)	(0.004)	(0.010)	(0.007)	(0.003)	(0.002)	(0.003)	(0.006)	(0.011)
US policy uncertainty	-0.001	-0.001	0.005**	0.003	0.000	-0.000	-0.001*	-0.002	-0.002
	(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.001)	(0.003)
US commodity price	0.021	0.022	0.130**	0.081*	0.030*	0.014	0.016	0.009	-0.018
	(0.017)	(0.016)	(0.056)	(0.046)	(0.018)	(0.010)	(0.020)	(0.024)	(0.075)
Natural resources	0.006	0.007	0.014	-0.000	0.002	0.000	0.005	0.011	0.006
	(0.005)	(0.004)	(0.011)	(0.007)	(0.004)	(0.003)	(0.003)	(0.007)	(0.010)
Financial openness	0.050	0.020	0.040	-0.008	0.016	0.011	0.033**	0.036	0.027
	(0.033)	(0.023)	(0.047)	(0.043)	(0.018)	(0.013)	(0.017)	(0.026)	(0.040)
Schooling	0.003	0.006	0.011	0.010	0.008	-0.000	-0.007	0.005	0.020
	(0.019)	(0.009)	(0.018)	(0.011)	(0.005)	(0.004)	(0.007)	(0.011)	(0.018)
Aid flows	0.755*	0.982***	1.709***	0.723	0.435**	0.162	0.213	1.452	2.192**
	(0.436)	(0.291)	(0.514)	(0.447)	(0.219)	(0.152)	(0.294)	(0.935)	(1.028)
External debt	-0.014	-0.024	-0.289**	-0.196***	-0.106**	-0.025	0.055	0.153*	0.266**
	(0.056)	(0.048)	(0.117)	(0.075)	(0.043)	(0.036)	(0.037)	(0.087)	(0.121)
Infrastructure	-0.006	-0.000	-0.009	-0.007	-0.007*	-0.002	0.005	0.005	-0.002
	(0.012)	(0.006)	(0.010)	(0.010)	(0.004)	(0.005)	(0.007)	(0.010)	(0.013)
Population growth	0.016	0.019	0.092**	0.041	0.007	-0.008	-0.029	-0.005	-0.011
	(0.031)	(0.026)	(0.043)	(0.033)	(0.018)	(0.016)	(0.024)	(0.040)	(0.062)
Net foreign assets	0.000**	0.000	0.000	0.000	-0.000	-0.000	-0.000	0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.134**	0.053	0.152	0.051	0.046	0.018	-0.002	0.066	-0.012
	(0.059)	(0.049)	(0.148)	(0.079)	(0.040)	(0.030)	(0.047)	(0.117)	(0.138)
Financial crisis dummy	-0.006	-0.015	-0.084	-0.113	-0.045	-0.009	0.017	0.156	0.284
	(0.057)	(0.055)	(0.080)	(0.075)	(0.049)	(0.025)	(0.051)	(0.096)	(0.210)
Landlocked dummy	-	-0.022	-0.027	0.026	-0.106	-0.051	-0.036	-0.337	-0.150
		(0.121)	(0.193)	(0.188)	(0.095)	(0.054)	(0.120)	(0.257)	(0.484)
Legal origin dummy	-	0.095	0.663**	0.214	0.171*	0.074	0.019	-0.092	-0.202
		(0.115)	(0.290)	(0.228)	(0.098)	(0.063)	(0.115)	(0.241)	(0.372)
Quantitative easing dummy	0.030	0.076	-0.229*	-0.164*	-0.023	0.022	0.126**	0.189*	0.148
	(0.072)	(0.068)	(0.122)	(0.099)	(0.039)	(0.035)	(0.052)	(0.100)	(0.164)
Exchange rate regime	-0.003	-0.002	-0.004	-0.008	-0.003	-0.002	0.001	0.004	-0.005
	(0.008)	(0.004)	(0.008)	(0.007)	(0.003)	(0.002)	(0.004)	(0.007)	(0.008)
Investment profile	0.020	0.018	0.100***	0.050*	0.011	0.005	0.005	-0.027	-0.050
	(0.014)	(0.012)	(0.033)	(0.027)	(0.010)	(0.007)	(0.015)	(0.027)	(0.041)
Aid flow*INVEST	-0.013*	-0.010*	-0.028*	-0.006	-0.002	0.000	-0.002	-0.021**	-0.032***
	(0.007)	(0.006)	(0.014)	(0.009)	(0.004)	(0.003)	(0.005)	(0.010)	(0.012)
Financial openness*INVEST	-0.013	-0.005	-0.009	0.001	-0.000	-0.001	-0.010**	-0.015	-0.012
	(0.009)	(0.007)	(0.017)	(0.014)	(0.006)	(0.004)	(0.005)	(0.010)	(0.015)
Natural resources*INVEST	-0.010*	-0.006	-0.020*	-0.005	-0.004	-0.002	-0.002	-0.006	-0.005
	(0.005)	(0.004)	(0.012)	(0.006)	(0.003)	(0.002)	(0.003)	(0.007)	(0.007)
Legal origin*INVEST	-0.017	-0.012	-0.084**	-0.025	-0.022*	-0.008	0.002	0.013	0.037
	(0.018)	(0.015)	(0.036)	(0.028)	(0.012)	(0.009)	(0.015)	(0.031)	(0.048)
Landlocked*INVEST	-0.008	-0.004	0.002	-0.009	0.009	0.003	0.002	0.040	0.010
	(0.020)	(0.016)	(0.023)	(0.023)	(0.012)	(0.007)	(0.016)	(0.030)	(0.056)
Constant	-0.651*	-0.305	-1.969**	-1.002*	-0.292	-0.048	0.379	0.409	0.849
	(0.344)	(0.291)	(0.937)	(0.593)	(0.228)	(0.172)	(0.303)	(0.673)	(0.823)
R-squared	0.069								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 64: Regression results of internal conflict indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.003	0.004	0.006	0.002	0.001	-0.000	0.002	0.003
	(0.003)	(0.003)	(0.004)	(0.004)	(0.003)	(0.002)	(0.002)	(0.005)	(0.008)
Inflation	0.000	0.000	0.003*	0.001	-0.000	0.000	-0.001	-0.002	-0.004
	(0.001)	(0.001)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.004)
Trade openness	0.002	0.000	-0.002	-0.002**	-0.000	0.000	0.001	0.002	0.003
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.001	-0.000	0.008**	0.008***	0.001	-0.000	-0.001	-0.007***	-0.011**
	(0.003)	(0.002)	(0.003)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.004)
US GDP per capita growth	-0.020*	-0.021*	-0.050**	-0.026*	-0.009	-0.009	-0.020**	-0.033	-0.025
	(0.012)	(0.011)	(0.021)	(0.014)	(0.011)	(0.006)	(0.010)	(0.022)	(0.034)
US central bank policy rate	0.010	0.011	0.050***	0.039**	0.015**	0.010*	-0.005	0.005	0.019
	(0.011)	(0.011)	(0.018)	(0.015)	(0.008)	(0.005)	(0.008)	(0.017)	(0.027)
US volatility VIX	0.000	0.001	-0.009	-0.005	0.001	0.000	-0.004	-0.004	-0.008
	(0.004)	(0.004)	(0.008)	(0.005)	(0.003)	(0.002)	(0.003)	(0.006)	(0.011)
US policy uncertainty	-0.001	-0.001	0.004***	0.004**	0.000	-0.000	-0.002**	-0.003**	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)
US commodity price	0.019	0.020	0.125**	0.061	0.025	0.015	0.008	-0.007	-0.007
	(0.016)	(0.016)	(0.052)	(0.039)	(0.016)	(0.012)	(0.017)	(0.024)	(0.051)
Natural resources	0.005	0.006	0.003	0.002	0.000	-0.001	0.004	0.009	0.010
	(0.005)	(0.004)	(0.011)	(0.007)	(0.004)	(0.003)	(0.003)	(0.007)	(0.012)
Financial openness	0.033	0.016	0.022	0.003	0.012	0.007	0.026	0.035	0.040
	(0.030)	(0.020)	(0.037)	(0.033)	(0.013)	(0.009)	(0.016)	(0.029)	(0.038)
Schooling	0.005	0.007	0.030*	0.009	0.007	0.001	-0.005	0.007	0.025
	(0.020)	(0.009)	(0.016)	(0.011)	(0.006)	(0.004)	(0.006)	(0.012)	(0.018)
Aid flows	0.952**	1.001***	2.121***	0.846*	0.470	0.184	0.054	0.876	2.238*
	(0.446)	(0.295)	(0.616)	(0.484)	(0.291)	(0.165)	(0.416)	(1.083)	(1.151)
External debt	-0.006	-0.024	-0.341***	-0.210***	-0.097**	-0.022	0.042	0.171**	0.184
	(0.055)	(0.046)	(0.097)	(0.071)	(0.039)	(0.031)	(0.043)	(0.084)	(0.131)
Infrastructure	-0.003	0.000	0.001	-0.006	-0.007	-0.001	0.001	0.001	-0.001
	(0.011)	(0.006)	(0.010)	(0.008)	(0.005)	(0.005)	(0.007)	(0.010)	(0.014)
Population growth	0.002	-0.001	0.088**	0.041	0.006	-0.007	-0.034*	-0.025	-0.035
	(0.030)	(0.025)	(0.037)	(0.032)	(0.019)	(0.015)	(0.019)	(0.040)	(0.064)
Net foreign assets	0.000**	0.000*	0.000	0.000	-0.000	-0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.115**	0.036	0.282***	0.004	0.032	0.027	-0.011	-0.025	-0.060
	(0.059)	(0.048)	(0.109)	(0.064)	(0.039)	(0.032)	(0.047)	(0.123)	(0.148)
Financial crisis dummy	-0.028	-0.032	-0.182**	-0.121*	-0.048	-0.010	0.022	0.159	0.232
	(0.057)	(0.055)	(0.088)	(0.073)	(0.060)	(0.028)	(0.050)	(0.101)	(0.210)
Landlocked dummy	-	-0.083	-0.080	-0.014	-0.037	-0.004	0.019	-0.173	-0.645**
		(0.132)	(0.275)	(0.225)	(0.109)	(0.060)	(0.099)	(0.192)	(0.266)
Legal origin dummy	-	0.229*	0.721**	0.173	0.207*	0.067	0.124	0.071	0.173
		(0.121)	(0.315)	(0.201)	(0.110)	(0.072)	(0.096)	(0.189)	(0.322)
Quantitative easing dummy	0.047	0.076	-0.287**	-0.170**	-0.023	0.007	0.133**	0.236**	0.178
	(0.072)	(0.067)	(0.113)	(0.086)	(0.041)	(0.040)	(0.054)	(0.097)	(0.154)
Exchange rate regime	-0.007	-0.004	-0.003	-0.003	-0.005	-0.003	-0.001	0.001	-0.003
	(0.008)	(0.004)	(0.009)	(0.006)	(0.003)	(0.002)	(0.003)	(0.007)	(0.013)
Internal conflict	0.037***	0.032***	0.091***	0.037**	0.017**	0.007	0.016*	0.025	0.011
	(0.013)	(0.010)	(0.031)	(0.019)	(0.009)	(0.006)	(0.008)	(0.017)	(0.029)
Aid flow*INCON	-0.007	-0.007	-0.014	-0.015**	-0.002	0.000	0.001	-0.018*	-0.020
	(0.006)	(0.005)	(0.010)	(0.007)	(0.004)	(0.003)	(0.004)	(0.010)	(0.014)
Financial openness*INCON	-0.008	-0.004	-0.001	-0.003	-0.002	0.001	-0.007*	-0.013	-0.014
	(0.007)	(0.006)	(0.012)	(0.009)	(0.004)	(0.002)	(0.004)	(0.009)	(0.013)
Natural resources*INCON	-0.005	-0.000	-0.007	-0.004	-0.003	-0.001	-0.000	0.003	0.013
	(0.005)	(0.003)	(0.006)	(0.005)	(0.002)	(0.002)	(0.003)	(0.006)	(0.010)
Legal origin*INCON	-0.020	-0.026*	-0.080**	-0.021	-0.022*	-0.006	-0.010	-0.008	-0.026
	(0.017)	(0.014)	(0.034)	(0.022)	(0.012)	(0.008)	(0.011)	(0.021)	(0.036)
Landlocked*INCON	-0.002	0.002	0.005	-0.002	-0.001	-0.003	-0.006	0.017	0.058*
	(0.018)	(0.015)	(0.027)	(0.023)	(0.012)	(0.007)	(0.011)	(0.020)	(0.031)
Constant	-0.703**	-0.321	-2.920***	-0.735	-0.343	-0.140	0.398	0.607	0.938
	(0.346)	(0.283)	(0.888)	(0.512)	(0.221)	(0.198)	(0.302)	(0.694)	(0.911)
R-squared	0.068								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 65: Regression results of external conflict indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.003	0.002	0.005	0.002	0.000	0.000	0.001	0.007
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.002)	(0.003)	(0.004)	(0.009)
Inflation	-0.000	-0.000	-0.000	0.001	-0.000	-0.000	-0.001**	-0.001	-0.001
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.003	-0.001	-0.001	0.000	0.001	0.002**	0.003*
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.001	-0.000	0.009**	0.005*	0.002	0.000	-0.002	-0.008**	-0.011**
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.023*	-0.023**	-0.067***	-0.030*	-0.014	-0.009	-0.022**	-0.038*	-0.040
	(0.012)	(0.012)	(0.021)	(0.017)	(0.009)	(0.006)	(0.010)	(0.020)	(0.046)
US central bank policy rate	0.009	0.010	0.037*	0.039***	0.015*	0.011**	-0.003	-0.002	0.026
	(0.012)	(0.011)	(0.020)	(0.013)	(0.008)	(0.005)	(0.008)	(0.018)	(0.035)
US volatility VIX	-0.000	0.001	-0.013	-0.004	-0.000	0.001	-0.004	-0.001	0.001
	(0.004)	(0.004)	(0.010)	(0.006)	(0.003)	(0.002)	(0.003)	(0.006)	(0.013)
US policy uncertainty	-0.001	-0.001	0.004**	0.003**	0.000	-0.000	-0.002**	-0.004***	-0.003
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.003)
US commodity price	0.022	0.022	0.135**	0.082**	0.027	0.015	0.014	0.012	0.005
	(0.016)	(0.016)	(0.055)	(0.041)	(0.018)	(0.011)	(0.017)	(0.026)	(0.071)
Natural resources	0.006	0.007	0.003	0.010	0.001	-0.000	0.005	0.010	0.006
	(0.005)	(0.004)	(0.014)	(0.007)	(0.004)	(0.003)	(0.003)	(0.007)	(0.010)
Financial openness	0.020	0.018	-0.001	0.003	0.004	0.005	0.017	0.024	0.033
	(0.032)	(0.024)	(0.035)	(0.028)	(0.013)	(0.008)	(0.015)	(0.023)	(0.038)
Schooling	0.005	0.006	0.012	0.007	0.006	0.000	-0.006	0.004	-0.006
	(0.019)	(0.013)	(0.018)	(0.010)	(0.006)	(0.004)	(0.006)	(0.012)	(0.023)
Aid flows	0.963**	0.994***	2.226***	0.861**	0.407*	0.134	0.028	0.823	2.017**
	(0.453)	(0.352)	(0.610)	(0.388)	(0.245)	(0.176)	(0.325)	(1.104)	(1.016)
External debt	-0.011	-0.017	-0.319***	-0.234***	-0.093**	-0.033	0.061	0.193**	0.151
	(0.055)	(0.050)	(0.105)	(0.070)	(0.036)	(0.029)	(0.042)	(0.088)	(0.122)
Infrastructure	-0.001	-0.002	0.005	-0.007	-0.006	-0.001	0.004	0.003	-0.002
	(0.011)	(0.008)	(0.012)	(0.008)	(0.005)	(0.005)	(0.007)	(0.009)	(0.014)
Population growth	0.001	0.005	0.063*	0.043	0.015	-0.004	-0.030	-0.020	0.005
	(0.030)	(0.027)	(0.038)	(0.029)	(0.021)	(0.017)	(0.020)	(0.037)	(0.067)
Net foreign assets	0.000**	0.000*	0.000	0.000	-0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.136**	0.098*	0.136	0.033	0.032	0.023	0.012	-0.010	-0.115
	(0.059)	(0.053)	(0.136)	(0.073)	(0.037)	(0.030)	(0.046)	(0.121)	(0.135)
Financial crisis dummy	-0.016	-0.021	-0.132	-0.116	-0.040	-0.011	0.040	0.114	0.213
	(0.057)	(0.055)	(0.097)	(0.078)	(0.055)	(0.025)	(0.048)	(0.115)	(0.337)
Landlocked dummy	-	-0.252	0.081	0.082	0.070	0.010	-0.041	-0.296	-0.228
		(0.222)	(0.282)	(0.211)	(0.114)	(0.088)	(0.116)	(0.218)	(0.364)
Legal origin dummy	-	0.166	0.501*	0.165	0.183	-0.011	0.040	-0.099	-0.248
		(0.206)	(0.299)	(0.213)	(0.137)	(0.126)	(0.149)	(0.322)	(0.530)
Quantitative easing dummy	0.053	0.072	-0.194	-0.163*	-0.019	0.009	0.126**	0.314***	0.255
	(0.073)	(0.070)	(0.132)	(0.083)	(0.049)	(0.034)	(0.053)	(0.096)	(0.181)
Exchange rate regime	-0.002	-0.003	-0.004	-0.005	-0.003	-0.002	0.000	-0.001	0.005
	(0.008)	(0.005)	(0.008)	(0.006)	(0.003)	(0.002)	(0.004)	(0.006)	(0.011)
External conflict	0.037**	0.028*	0.072**	0.024	0.021*	0.002	0.010	0.012	0.026
	(0.017)	(0.016)	(0.032)	(0.020)	(0.011)	(0.009)	(0.013)	(0.025)	(0.041)
Aid flow*EXCON	-0.008*	-0.007	-0.017	-0.008	-0.003	0.001	0.002	-0.015*	-0.026**
	(0.005)	(0.004)	(0.012)	(0.006)	(0.004)	(0.002)	(0.004)	(0.009)	(0.012)
Financial openness*EXCON	-0.004	-0.003	0.009	-0.001	0.000	0.001	-0.004	-0.007	-0.013
	(0.006)	(0.005)	(0.010)	(0.008)	(0.003)	(0.002)	(0.003)	(0.006)	(0.011)
Natural resources*EXCON	-0.007*	-0.004	-0.012	-0.008**	-0.004*	-0.001	-0.001	0.002	0.003
	(0.004)	(0.003)	(0.009)	(0.004)	(0.002)	(0.001)	(0.003)	(0.005)	(0.008)
Legal origin*EXCON	-0.022	-0.016	-0.042	-0.016	-0.018	0.003	-0.001	0.011	0.023
	(0.022)	(0.020)	(0.030)	(0.020)	(0.013)	(0.013)	(0.015)	(0.031)	(0.053)
Landlocked*EXCON	0.035	0.020	-0.013	-0.012	-0.010	-0.004	0.002	0.027	0.019
	(0.026)	(0.022)	(0.028)	(0.021)	(0.012)	(0.009)	(0.012)	(0.021)	(0.036)
Constant	-0.929***	-0.635*	-1.870**	-0.770*	-0.399*	-0.090	0.269	0.667	0.986
	(0.355)	(0.333)	(0.874)	(0.461)	(0.224)	(0.162)	(0.290)	(0.775)	(0.869)
R-squared	0.069								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 66: Regression results of corruption indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.005	0.010**	0.006	0.002	0.000	0.001	0.003	0.006
	(0.003)	(0.003)	(0.005)	(0.004)	(0.002)	(0.002)	(0.002)	(0.004)	(0.006)
Inflation	-0.000	-0.000	0.001	0.000	0.000	-0.000	-0.001	-0.002	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.002)
Trade openness	0.002	0.001	-0.002	-0.001	-0.000	0.000	0.001*	0.002**	0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
Gross capital formation	-0.001	-0.000	0.010**	0.006**	0.002	-0.000	-0.001	-0.007***	-0.010**
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.002)	(0.004)
US GDP per capita growth	-0.018	-0.021*	-0.040**	-0.019	-0.008	-0.010*	-0.022***	-0.035*	-0.032
	(0.012)	(0.012)	(0.018)	(0.015)	(0.010)	(0.005)	(0.008)	(0.019)	(0.040)
US central bank policy rate	0.013	0.013	0.068***	0.036***	0.016*	0.011*	0.000	-0.001	0.029
	(0.012)	(0.011)	(0.021)	(0.013)	(0.008)	(0.006)	(0.008)	(0.017)	(0.033)
US volatility VIX	0.000	0.002	-0.013	-0.003	0.002	0.000	-0.002	0.002	-0.000
	(0.004)	(0.004)	(0.009)	(0.005)	(0.003)	(0.002)	(0.003)	(0.006)	(0.012)
US policy uncertainty	-0.001	-0.001	0.006***	0.003**	0.000	-0.000	-0.002**	-0.004***	-0.003
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)
US commodity price	0.020	0.022	0.132***	0.085**	0.030*	0.012	0.010	-0.002	0.016
	(0.017)	(0.016)	(0.049)	(0.037)	(0.015)	(0.012)	(0.018)	(0.025)	(0.064)
Natural resources	0.005	0.006	0.005	0.005	0.000	-0.000	0.006*	0.009	0.006
	(0.005)	(0.004)	(0.011)	(0.006)	(0.003)	(0.002)	(0.003)	(0.006)	(0.009)
Financial openness	0.015	0.010	0.025	0.005	0.009	0.004	0.017	0.027	0.038
	(0.029)	(0.018)	(0.026)	(0.021)	(0.011)	(0.008)	(0.016)	(0.022)	(0.031)
Schooling	0.006	0.005	0.011	0.016	0.005	0.001	-0.004	0.005	0.012
	(0.019)	(0.009)	(0.018)	(0.011)	(0.006)	(0.004)	(0.006)	(0.013)	(0.019)
Aid flows	0.615	0.854***	1.324**	1.010***	0.456*	0.120	0.273	1.378	1.643
	(0.459)	(0.299)	(0.550)	(0.376)	(0.252)	(0.154)	(0.347)	(1.037)	(1.227)
External debt	-0.008	-0.017	-0.349***	-0.191***	-0.088**	-0.026	0.043	0.168**	0.244*
	(0.057)	(0.046)	(0.105)	(0.072)	(0.036)	(0.029)	(0.047)	(0.079)	(0.147)
Infrastructure	0.004	0.003	-0.006	-0.006	-0.005	0.001	0.004	0.003	-0.016
	(0.012)	(0.007)	(0.012)	(0.008)	(0.006)	(0.006)	(0.008)	(0.011)	(0.016)
Population growth	-0.004	0.010	0.061	0.042	0.023	0.003	-0.031	-0.048	-0.105
	(0.031)	(0.026)	(0.040)	(0.026)	(0.021)	(0.016)	(0.024)	(0.039)	(0.065)
Net foreign assets	0.000**	0.000*	0.000	0.000	0.000	0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.120**	0.046	0.136	0.041	0.037	0.006	-0.011	0.005	-0.052
	(0.059)	(0.048)	(0.136)	(0.069)	(0.036)	(0.031)	(0.037)	(0.118)	(0.109)
Financial crisis dummy	-0.021	-0.021	-0.086	-0.096	-0.069	-0.003	0.020	0.084	0.221
	(0.057)	(0.056)	(0.092)	(0.079)	(0.056)	(0.026)	(0.048)	(0.128)	(0.315)
Landlocked dummy	-	-0.060	0.066	0.139	0.116	-0.029	-0.095	-0.311*	-0.536**
		(0.150)	(0.203)	(0.175)	(0.085)	(0.065)	(0.101)	(0.166)	(0.264)
Legal origin dummy	-	0.026	0.177	0.028	0.066	0.025	-0.003	0.016	0.031
		(0.082)	(0.170)	(0.128)	(0.064)	(0.042)	(0.079)	(0.125)	(0.179)
Quantitative easing dummy	0.026	0.069	-0.369***	-0.164*	-0.032	0.013	0.129***	0.300***	0.236
	(0.073)	(0.068)	(0.110)	(0.095)	(0.048)	(0.036)	(0.046)	(0.101)	(0.198)
Exchange rate regime	-0.005	-0.003	0.000	-0.004	-0.003	-0.002	0.000	-0.003	-0.013
	(0.008)	(0.004)	(0.008)	(0.006)	(0.003)	(0.002)	(0.003)	(0.006)	(0.010)
Corruption	0.045	0.019	0.080	0.018	0.026	-0.003	0.002	0.076*	0.101
	(0.034)	(0.025)	(0.062)	(0.035)	(0.018)	(0.012)	(0.030)	(0.046)	(0.071)
Aid flow*CORR	-0.020	-0.017	-0.046	-0.038	-0.021	0.003	-0.003	-0.074*	-0.081
	(0.019)	(0.015)	(0.034)	(0.024)	(0.013)	(0.009)	(0.017)	(0.038)	(0.049)
Financial openness*CORR	-0.011	-0.004	-0.018	-0.009	-0.007	0.006	-0.009	-0.019	-0.023
	(0.019)	(0.016)	(0.028)	(0.023)	(0.011)	(0.008)	(0.014)	(0.020)	(0.033)
Natural resources*CORR	-0.010	-0.004	-0.032	-0.029*	-0.009	-0.002	-0.002	0.023	0.067*
	(0.015)	(0.011)	(0.034)	(0.017)	(0.010)	(0.006)	(0.010)	(0.019)	(0.035)
Legal origin*CORR	-0.011	-0.006	-0.057	-0.011	-0.027	-0.004	0.009	-0.010	0.002
	(0.037)	(0.031)	(0.058)	(0.043)	(0.024)	(0.017)	(0.031)	(0.051)	(0.071)
Landlocked*CORR	0.009	-0.000	-0.013	-0.020	-0.016*	-0.000	0.007	0.025	0.039
	(0.020)	(0.015)	(0.021)	(0.018)	(0.009)	(0.006)	(0.011)	(0.016)	(0.028)
Constant	-0.679**	-0.226	-1.518**	-0.706	-0.380*	0.004	0.409	0.547	1.003
	(0.343)	(0.286)	(0.755)	(0.439)	(0.208)	(0.171)	(0.267)	(0.696)	(0.663)
R-squared	0.056								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 67: Regression results of military in politics indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.001	0.003	0.002	0.001	0.002	0.009	0.015
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.001)	(0.002)	(0.006)	(0.010)
Inflation	0.000	0.000	0.002	0.001	-0.000	0.000	-0.001	-0.002	0.001
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.000	-0.000	-0.000	0.001	0.001*	0.002	0.003*
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.000	-0.000	0.010***	0.005**	0.002	0.000	-0.002	-0.004	-0.005
	(0.003)	(0.002)	(0.003)	(0.002)	(0.002)	(0.001)	(0.001)	(0.003)	(0.005)
US GDP per capita growth	-0.018	-0.021*	-0.006	-0.009	-0.007	-0.010*	-0.022**	-0.030	-0.018
	(0.012)	(0.012)	(0.022)	(0.017)	(0.009)	(0.006)	(0.010)	(0.019)	(0.040)
US central bank policy rate	0.013	0.013	0.049**	0.016	0.013*	0.011**	-0.000	0.003	0.014
	(0.012)	(0.011)	(0.020)	(0.016)	(0.007)	(0.005)	(0.008)	(0.018)	(0.030)
US volatility VIX	0.000	0.002	-0.008	0.000	-0.000	0.000	-0.001	-0.002	0.002
	(0.004)	(0.004)	(0.009)	(0.006)	(0.002)	(0.002)	(0.003)	(0.006)	(0.011)
US policy uncertainty	-0.001	-0.001	0.005**	0.001	0.000	-0.000	-0.002**	-0.003	-0.003
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
US commodity price	0.021	0.022	0.120**	0.059	0.027	0.014	0.013	-0.001	-0.030
	(0.017)	(0.016)	(0.047)	(0.039)	(0.017)	(0.012)	(0.020)	(0.024)	(0.050)
Natural resources	0.005	0.006	-0.000	0.002	0.001	0.000	0.006	0.007	0.002
	(0.005)	(0.004)	(0.011)	(0.006)	(0.004)	(0.003)	(0.004)	(0.007)	(0.009)
Financial openness	0.024	0.010	0.027	0.005	0.008	0.005	0.018	0.005	-0.002
	(0.030)	(0.018)	(0.030)	(0.023)	(0.013)	(0.009)	(0.016)	(0.025)	(0.037)
Schooling	0.003	0.007	0.018	0.019	0.009	0.001	-0.005	-0.021	-0.034
	(0.020)	(0.009)	(0.019)	(0.013)	(0.006)	(0.004)	(0.007)	(0.014)	(0.024)
Aid flows	0.621	0.955***	1.556***	1.025**	0.528***	0.129	0.160	0.693	1.288
	(0.433)	(0.282)	(0.533)	(0.443)	(0.190)	(0.144)	(0.315)	(1.110)	(1.076)
External debt	-0.010	-0.030	-0.343***	-0.214**	-0.113***	-0.028	0.051	0.191**	0.228
	(0.057)	(0.048)	(0.113)	(0.085)	(0.041)	(0.030)	(0.043)	(0.092)	(0.156)
Infrastructure	-0.001	0.001	-0.007	-0.006	-0.007	-0.001	0.006	0.013	0.006
	(0.012)	(0.006)	(0.009)	(0.008)	(0.005)	(0.005)	(0.006)	(0.008)	(0.013)
Population growth	0.006	0.010	0.072**	0.036	0.013	-0.002	-0.023	-0.035	-0.036
	(0.030)	(0.025)	(0.034)	(0.026)	(0.020)	(0.014)	(0.020)	(0.033)	(0.059)
Net foreign assets	0.000**	0.000*	0.000	0.000	0.000	-0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.109*	0.033	0.063	0.029	0.012	0.004	-0.017	0.003	-0.087
	(0.061)	(0.048)	(0.089)	(0.067)	(0.039)	(0.030)	(0.043)	(0.120)	(0.129)
Financial crisis dummy	-0.014	-0.021	-0.055	-0.105	-0.028	-0.005	0.015	0.083	0.177
	(0.057)	(0.055)	(0.092)	(0.076)	(0.042)	(0.029)	(0.046)	(0.097)	(0.244)
Landlocked dummy	-	-0.047	-0.012	0.038	-0.049	0.014	-0.030	0.047	0.305
		(0.082)	(0.156)	(0.109)	(0.059)	(0.037)	(0.061)	(0.187)	(0.310)
Legal origin dummy	-	0.074	0.507***	0.268**	0.104*	0.048	0.029	-0.252**	-0.364
		(0.066)	(0.152)	(0.112)	(0.055)	(0.042)	(0.066)	(0.126)	(0.235)
Quantitative easing dummy	0.024	0.071	-0.318**	-0.044	-0.032	0.014	0.138**	0.215*	0.200
	(0.073)	(0.068)	(0.130)	(0.099)	(0.052)	(0.033)	(0.054)	(0.127)	(0.173)
Exchange rate regime	-0.005	-0.003	0.002	-0.006	-0.002	-0.002	0.000	-0.003	0.001
	(0.008)	(0.004)	(0.007)	(0.006)	(0.003)	(0.002)	(0.003)	(0.007)	(0.010)
Military in politics	0.025	0.021	0.147**	0.080**	0.024*	0.010	0.002	-0.053*	-0.056
	(0.026)	(0.016)	(0.061)	(0.036)	(0.014)	(0.009)	(0.018)	(0.031)	(0.057)
Aid flow*MILIT	-0.017	-0.019	-0.043*	-0.033**	-0.012	0.001	0.000	-0.029	-0.073**
	(0.018)	(0.012)	(0.026)	(0.016)	(0.011)	(0.006)	(0.010)	(0.028)	(0.032)
Financial openness*MILIT	-0.015	-0.004	-0.027	-0.000	-0.003	0.005	-0.013	0.000	-0.013
	(0.016)	(0.013)	(0.030)	(0.020)	(0.011)	(0.008)	(0.010)	(0.019)	(0.028)
Natural resources*MILIT	-0.007	-0.007	-0.011	-0.016	-0.007	-0.005	-0.000	0.003	0.009
	(0.012)	(0.009)	(0.016)	(0.010)	(0.007)	(0.005)	(0.007)	(0.015)	(0.018)
Legal origin*MILIT	-0.019	-0.023	-0.165***	-0.091***	-0.036*	-0.014	-0.000	0.097**	0.143**
	(0.040)	(0.021)	(0.050)	(0.035)	(0.019)	(0.014)	(0.022)	(0.040)	(0.072)
Landlocked*MILIT	0.001	-0.002	-0.006	-0.017	0.004	-0.012	0.001	-0.021	-0.082
	(0.040)	(0.022)	(0.041)	(0.029)	(0.016)	(0.012)	(0.016)	(0.046)	(0.075)
Constant	-0.543	-0.181	-1.639***	-0.711	-0.213	-0.035	0.422	0.723	1.156
	(0.345)	(0.276)	(0.588)	(0.474)	(0.218)	(0.161)	(0.265)	(0.692)	(0.721)
R-squared	0.055								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 68: Regression results of religious tensions indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.007	0.004	0.002	0.000	-0.000	0.003	0.006
	(0.003)	(0.003)	(0.005)	(0.004)	(0.002)	(0.002)	(0.002)	(0.004)	(0.008)
Inflation	0.000	0.000	-0.001	0.001	-0.000	-0.000	-0.001	-0.000	-0.001
	(0.001)	(0.001)	(0.003)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.004)
Trade openness	0.002	0.000	-0.004	-0.002	-0.000	0.000	0.001	0.002	0.003*
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.000	-0.000	0.010**	0.005	0.001	-0.000	-0.002	-0.006*	-0.009**
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)
US GDP per capita growth	-0.017	-0.019*	-0.037*	-0.029*	-0.010	-0.008	-0.018**	-0.032	-0.023
	(0.012)	(0.011)	(0.020)	(0.016)	(0.008)	(0.005)	(0.009)	(0.021)	(0.037)
US central bank policy rate	0.012	0.012	0.051**	0.044***	0.019**	0.010	-0.002	0.000	0.028
	(0.011)	(0.011)	(0.020)	(0.015)	(0.008)	(0.006)	(0.009)	(0.018)	(0.033)
US volatility VIX	0.000	0.001	-0.015**	-0.004	-0.001	0.000	-0.004	-0.005	-0.001
	(0.004)	(0.004)	(0.007)	(0.005)	(0.003)	(0.002)	(0.004)	(0.006)	(0.012)
US policy uncertainty	-0.001	-0.001	0.005***	0.003*	0.001	-0.000	-0.001	-0.003*	-0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
US commodity price	0.020	0.021	0.137***	0.071*	0.025	0.014	0.008	-0.005	-0.004
	(0.017)	(0.016)	(0.045)	(0.037)	(0.018)	(0.013)	(0.019)	(0.026)	(0.064)
Natural resources	0.005	0.006	0.005	0.001	0.001	-0.000	0.005	0.013*	0.000
	(0.005)	(0.004)	(0.013)	(0.006)	(0.004)	(0.003)	(0.003)	(0.007)	(0.010)
Financial openness	0.025	0.020	0.028	0.005	0.013	0.007	0.026	0.025	0.036
	(0.029)	(0.018)	(0.027)	(0.026)	(0.013)	(0.010)	(0.016)	(0.025)	(0.032)
Schooling	0.002	0.005	0.004	0.005	0.004	-0.001	-0.006	-0.004	0.010
	(0.019)	(0.010)	(0.018)	(0.014)	(0.006)	(0.004)	(0.006)	(0.012)	(0.021)
Aid flows	0.679	0.881***	1.407**	0.483	0.225	0.079	0.080	0.450	2.223**
	(0.439)	(0.303)	(0.573)	(0.419)	(0.274)	(0.226)	(0.397)	(1.005)	(1.126)
External debt	-0.000	-0.031	-0.369***	-0.259***	-0.097**	-0.018	0.042	0.145*	0.092
	(0.056)	(0.046)	(0.111)	(0.081)	(0.042)	(0.025)	(0.046)	(0.083)	(0.141)
Infrastructure	-0.001	0.002	-0.003	-0.007	-0.003	0.002	0.004	0.005	-0.006
	(0.012)	(0.006)	(0.013)	(0.009)	(0.006)	(0.005)	(0.006)	(0.010)	(0.011)
Population growth	0.009	0.002	0.078*	0.021	0.016	-0.001	-0.030	-0.023	-0.059
	(0.031)	(0.026)	(0.041)	(0.029)	(0.023)	(0.014)	(0.020)	(0.038)	(0.059)
Net foreign assets	0.000**	0.000*	0.000	0.000	-0.000	-0.000	0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.128**	0.040	0.200	0.046	0.039	0.023	0.012	0.010	-0.068
	(0.059)	(0.048)	(0.124)	(0.065)	(0.036)	(0.030)	(0.045)	(0.113)	(0.109)
Financial crisis dummy	-0.010	-0.019	-0.099	-0.146*	-0.053	-0.004	0.030	0.111	0.151
	(0.057)	(0.056)	(0.094)	(0.081)	(0.048)	(0.024)	(0.055)	(0.107)	(0.242)
Landlocked dummy	-	-0.016	0.022	0.004	-0.059	-0.018	0.011	0.016	-0.093
		(0.109)	(0.156)	(0.134)	(0.069)	(0.062)	(0.082)	(0.179)	(0.322)
Legal origin dummy	-	0.099	0.217	0.158	0.087	0.089**	0.077	0.030	0.081
		(0.082)	(0.212)	(0.123)	(0.061)	(0.038)	(0.055)	(0.113)	(0.168)
Quantitative easing dummy	0.023	0.056	-0.361***	-0.181*	-0.063	0.013	0.097*	0.187*	0.108
	(0.072)	(0.068)	(0.112)	(0.095)	(0.045)	(0.033)	(0.051)	(0.105)	(0.183)
Exchange rate regime	-0.005	-0.003	0.003	-0.006	-0.002	-0.002	0.000	0.002	0.003
	(0.008)	(0.004)	(0.008)	(0.005)	(0.003)	(0.002)	(0.004)	(0.007)	(0.011)
Religious tensions	0.006	0.026*	0.105**	0.026	0.013	0.013*	0.023**	0.045**	0.055*
	(0.025)	(0.013)	(0.043)	(0.027)	(0.009)	(0.007)	(0.010)	(0.022)	(0.029)
Aid flow*RELIG	-0.015	-0.012	-0.042	-0.011	-0.002	0.002	0.002	-0.030	-0.054**
	(0.011)	(0.009)	(0.031)	(0.015)	(0.009)	(0.006)	(0.010)	(0.020)	(0.027)
Financial openness*RELIG	-0.012	-0.010	-0.005	-0.005	-0.005	-0.000	-0.013	-0.021	-0.020
	(0.013)	(0.011)	(0.019)	(0.019)	(0.009)	(0.006)	(0.009)	(0.015)	(0.022)
Natural resources*RELIG	-0.008	-0.001	-0.017	-0.006	-0.000	-0.003	-0.003	0.008	0.020
	(0.009)	(0.007)	(0.016)	(0.011)	(0.005)	(0.003)	(0.006)	(0.013)	(0.018)
Legal origin*RELIG	0.011	-0.023	-0.049	-0.031	-0.020	-0.018**	-0.014	-0.013	-0.037
	(0.036)	(0.018)	(0.049)	(0.026)	(0.013)	(0.009)	(0.012)	(0.029)	(0.041)
Landlocked*RELIG	-0.013	-0.011	-0.024	-0.009	0.007	-0.001	-0.011	-0.012	-0.009
	(0.045)	(0.026)	(0.040)	(0.032)	(0.018)	(0.014)	(0.021)	(0.041)	(0.071)
Constant	-0.614*	-0.195	-1.819**	-0.539	-0.315	-0.122	0.269	0.473	0.727
	(0.343)	(0.279)	(0.773)	(0.443)	(0.212)	(0.171)	(0.291)	(0.632)	(0.716)
R-squared	0.058								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 69: Regression results of law and order indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.006	0.005	0.001	0.000	0.001	0.002	0.007
	(0.003)	(0.003)	(0.005)	(0.004)	(0.002)	(0.002)	(0.002)	(0.005)	(0.008)
Inflation	0.000	-0.000	0.002	0.002	-0.000	-0.000	-0.001	-0.002	-0.003
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.001)	(0.001)	(0.002)	(0.003)
Trade openness	0.002*	0.001	-0.001	-0.001	-0.000	0.001	0.001	0.002**	0.005***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.000	-0.000	0.010***	0.006*	0.002	0.000	-0.001	-0.007**	-0.009*
	(0.003)	(0.002)	(0.004)	(0.003)	(0.002)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.018	-0.021*	-0.046**	-0.024	-0.011	-0.010*	-0.022**	-0.044***	-0.031
	(0.012)	(0.012)	(0.021)	(0.015)	(0.009)	(0.005)	(0.010)	(0.016)	(0.039)
US central bank policy rate	0.012	0.012	0.051**	0.039***	0.015*	0.011**	-0.003	-0.002	0.041
	(0.011)	(0.011)	(0.024)	(0.014)	(0.008)	(0.005)	(0.009)	(0.016)	(0.031)
US volatility VIX	0.001	0.002	-0.008	0.001	-0.001	0.001	-0.003	-0.003	-0.003
	(0.004)	(0.004)	(0.008)	(0.005)	(0.002)	(0.002)	(0.003)	(0.006)	(0.010)
US policy uncertainty	-0.001	-0.001	0.003	0.002	0.001	-0.000	-0.002**	-0.004***	-0.001
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.002)
US commodity price	0.022	0.023	0.133***	0.082**	0.024	0.019	0.009	0.002	-0.012
	(0.017)	(0.016)	(0.050)	(0.040)	(0.016)	(0.013)	(0.018)	(0.029)	(0.045)
Natural resources	0.005	0.006	0.001	0.006	0.002	-0.000	0.006*	0.010	0.002
	(0.005)	(0.004)	(0.012)	(0.006)	(0.004)	(0.003)	(0.004)	(0.009)	(0.012)
Financial openness	0.011	0.000	0.012	-0.023	0.002	0.007	0.016	0.014	0.030
	(0.031)	(0.022)	(0.031)	(0.028)	(0.013)	(0.011)	(0.017)	(0.032)	(0.039)
Schooling	0.006	0.008	0.026	0.009	0.004	0.001	-0.005	-0.004	-0.000
	(0.019)	(0.009)	(0.016)	(0.012)	(0.005)	(0.004)	(0.005)	(0.014)	(0.023)
Aid flows	0.610	0.884***	1.756***	0.489	0.270	0.137	0.020	0.142	1.874
	(0.439)	(0.281)	(0.568)	(0.489)	(0.260)	(0.193)	(0.347)	(1.016)	(1.204)
External debt	-0.006	-0.029	-0.318***	-0.278***	-0.127***	-0.018	0.062	0.179**	0.159
	(0.056)	(0.046)	(0.099)	(0.080)	(0.044)	(0.028)	(0.046)	(0.081)	(0.132)
Infrastructure	0.000	0.002	-0.001	-0.002	-0.004	-0.001	0.004	0.002	0.008
	(0.012)	(0.006)	(0.011)	(0.008)	(0.005)	(0.005)	(0.006)	(0.010)	(0.012)
Population growth	0.012	0.019	0.080	0.035	0.026	0.004	-0.021	-0.013	-0.037
	(0.030)	(0.025)	(0.050)	(0.026)	(0.017)	(0.014)	(0.024)	(0.037)	(0.055)
Net foreign assets	0.000**	0.000*	0.000	0.000	0.000	-0.000	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.123**	0.038	0.202	0.029	0.034	0.032	-0.011	-0.038	-0.038
	(0.059)	(0.048)	(0.152)	(0.080)	(0.038)	(0.030)	(0.046)	(0.121)	(0.150)
Financial crisis dummy	-0.016	-0.024	-0.140	-0.165**	-0.053	-0.015	0.028	0.101	0.078
	(0.057)	(0.055)	(0.102)	(0.070)	(0.054)	(0.026)	(0.052)	(0.090)	(0.268)
Landlocked dummy	-	-0.057	0.053	-0.009	-0.104	-0.060	0.031	-0.063	-0.387
		(0.116)	(0.250)	(0.165)	(0.084)	(0.063)	(0.090)	(0.189)	(0.304)
Legal origin dummy	-	0.164*	0.442**	0.204	0.116	0.108*	0.176**	0.183	0.037
		(0.096)	(0.220)	(0.126)	(0.081)	(0.056)	(0.079)	(0.158)	(0.248)
Quantitative easing dummy	0.033	0.074	-0.207	-0.167*	-0.044	0.018	0.141***	0.235**	0.102
	(0.073)	(0.068)	(0.128)	(0.091)	(0.051)	(0.034)	(0.054)	(0.102)	(0.173)
Exchange rate regime	-0.004	-0.004	-0.006	-0.006	-0.003	-0.003*	-0.003	0.002	0.002
	(0.008)	(0.004)	(0.010)	(0.006)	(0.004)	(0.002)	(0.004)	(0.007)	(0.011)
Law and order	0.018	0.029	0.093**	0.015	0.018	0.014	0.036*	0.064**	-0.002
	(0.038)	(0.021)	(0.044)	(0.023)	(0.014)	(0.010)	(0.019)	(0.032)	(0.057)
Aid flow*LAW	-0.009	-0.008	-0.018	0.002	0.003	0.004	0.005	-0.031	-0.015
	(0.016)	(0.012)	(0.023)	(0.021)	(0.009)	(0.007)	(0.011)	(0.023)	(0.029)
Financial openness*LAW	-0.003	0.004	0.014	0.017	0.004	0.001	-0.006	-0.025	-0.025
	(0.018)	(0.016)	(0.027)	(0.024)	(0.009)	(0.008)	(0.012)	(0.024)	(0.031)
Natural resources*LAW	-0.014	-0.006	-0.029	-0.019	-0.007	-0.003	-0.000	0.016	0.006
	(0.012)	(0.009)	(0.027)	(0.014)	(0.007)	(0.005)	(0.007)	(0.015)	(0.024)
Legal origin*LAW	-0.010	-0.045*	-0.103*	-0.055	-0.033	-0.027*	-0.037*	-0.050	-0.025
	(0.051)	(0.027)	(0.060)	(0.033)	(0.021)	(0.014)	(0.022)	(0.041)	(0.065)
Landlocked*LAW	-0.021	-0.001	-0.033	-0.011	0.019	0.008	-0.020	0.017	0.070
	(0.059)	(0.035)	(0.071)	(0.050)	(0.026)	(0.017)	(0.027)	(0.048)	(0.089)
Constant	-0.651*	-0.278	-2.039**	-0.619	-0.320	-0.190	0.303	0.706	0.624
	(0.353)	(0.288)	(0.980)	(0.500)	(0.200)	(0.170)	(0.262)	(0.666)	(0.933)
R-squared	0.055								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 70: Regression results of ethnic tensions indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.004	0.005	0.002	0.000	0.001	0.006	0.003
	(0.003)	(0.003)	(0.006)	(0.004)	(0.002)	(0.002)	(0.002)	(0.005)	(0.009)
Inflation	0.000	0.000	0.000	0.000	-0.001	-0.000	-0.001	-0.002	-0.001
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	0.000	-0.001	0.000	0.001	0.001*	0.003***	0.002
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.000	-0.000	0.011**	0.005	0.002	-0.000	-0.002	-0.008***	-0.010**
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.017	-0.019*	-0.032	-0.024	-0.007	-0.009	-0.020**	-0.035*	-0.049
	(0.012)	(0.012)	(0.022)	(0.016)	(0.008)	(0.006)	(0.009)	(0.019)	(0.042)
US central bank policy rate	0.012	0.012	0.045*	0.034**	0.014*	0.012**	-0.002	-0.002	0.016
	(0.011)	(0.011)	(0.026)	(0.017)	(0.008)	(0.005)	(0.008)	(0.018)	(0.028)
US volatility VIX	0.001	0.002	-0.009	-0.001	0.000	0.001	-0.002	0.000	0.002
	(0.004)	(0.004)	(0.009)	(0.006)	(0.003)	(0.002)	(0.003)	(0.006)	(0.011)
US policy uncertainty	-0.001	-0.001	0.004**	0.002	0.000	-0.000	-0.002*	-0.004***	-0.004
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.003)
US commodity price	0.022	0.023	0.144***	0.087*	0.032	0.014	0.013	0.011	0.008
	(0.017)	(0.016)	(0.052)	(0.045)	(0.020)	(0.013)	(0.015)	(0.028)	(0.052)
Natural resources	0.005	0.006	-0.004	0.005	0.001	0.000	0.005	0.011*	0.004
	(0.005)	(0.004)	(0.012)	(0.006)	(0.004)	(0.002)	(0.003)	(0.006)	(0.011)
Financial openness	0.017	0.010	0.031	0.002	0.007	0.009	0.017	0.006	0.018
	(0.031)	(0.024)	(0.043)	(0.029)	(0.014)	(0.013)	(0.016)	(0.031)	(0.051)
Schooling	0.005	0.005	0.024	0.024**	0.004	0.003	-0.005	-0.000	-0.008
	(0.019)	(0.011)	(0.018)	(0.012)	(0.006)	(0.004)	(0.005)	(0.013)	(0.020)
Aid flows	0.506	0.799**	1.661***	0.648*	0.325	0.153	0.142	0.331	2.475*
	(0.435)	(0.321)	(0.550)	(0.386)	(0.244)	(0.199)	(0.386)	(1.047)	(1.306)
External debt	-0.007	-0.027	-0.345***	-0.238***	-0.126***	-0.027	0.044	0.127	0.075
	(0.056)	(0.049)	(0.113)	(0.074)	(0.040)	(0.028)	(0.045)	(0.079)	(0.138)
Infrastructure	0.002	0.004	-0.008	-0.004	-0.004	-0.000	0.006	0.011	0.004
	(0.012)	(0.008)	(0.011)	(0.007)	(0.005)	(0.005)	(0.008)	(0.010)	(0.016)
Population growth	0.008	0.006	0.062	0.037	0.020	0.000	-0.031	-0.019	-0.026
	(0.031)	(0.026)	(0.041)	(0.024)	(0.020)	(0.014)	(0.019)	(0.034)	(0.049)
Net foreign assets	0.000**	0.000*	0.000	0.000	0.000	-0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.121**	0.063	0.139	0.031	0.025	0.017	-0.032	-0.032	-0.151
	(0.059)	(0.051)	(0.145)	(0.066)	(0.047)	(0.032)	(0.044)	(0.118)	(0.150)
Financial crisis dummy	-0.015	-0.018	-0.122	-0.147**	-0.025	-0.009	0.029	0.071	0.131
	(0.058)	(0.056)	(0.105)	(0.071)	(0.048)	(0.025)	(0.051)	(0.089)	(0.261)
Landlocked dummy	-	-0.050	0.121	0.222	-0.051	-0.078	-0.005	-0.065	-0.726*
		(0.173)	(0.312)	(0.258)	(0.129)	(0.104)	(0.151)	(0.247)	(0.370)
Legal origin dummy	-	0.048	0.495**	0.201	0.109	0.075	0.078	-0.062	-0.217
		(0.104)	(0.205)	(0.138)	(0.067)	(0.051)	(0.070)	(0.133)	(0.267)
Quantitative easing dummy	0.035	0.066	-0.292*	-0.145	-0.023	0.015	0.125**	0.250***	0.303**
	(0.073)	(0.069)	(0.154)	(0.093)	(0.045)	(0.033)	(0.059)	(0.095)	(0.153)
Exchange rate regime	-0.005	-0.003	-0.001	-0.004	-0.003	-0.002	-0.001	0.002	0.001
	(0.008)	(0.004)	(0.008)	(0.006)	(0.003)	(0.002)	(0.003)	(0.007)	(0.011)
Ethnic tensions	-0.005	-0.002	0.097*	0.018	0.004	0.004	0.009	-0.024	-0.020
	(0.030)	(0.021)	(0.058)	(0.030)	(0.012)	(0.008)	(0.017)	(0.030)	(0.061)
Aid flow*ETHNIC	-0.001	-0.003	-0.020	-0.009	0.001	0.005	0.006	-0.011	-0.053*
	(0.015)	(0.013)	(0.025)	(0.018)	(0.011)	(0.008)	(0.014)	(0.026)	(0.032)
Financial openness*ETHNIC	-0.006	-0.001	-0.014	-0.005	0.000	-0.001	-0.008	-0.003	-0.007
	(0.016)	(0.015)	(0.030)	(0.022)	(0.009)	(0.008)	(0.010)	(0.018)	(0.037)
Natural resources*ETHNIC	-0.009	-0.007	-0.026	-0.018	-0.007	-0.003	0.000	0.007	-0.000
	(0.011)	(0.009)	(0.019)	(0.011)	(0.006)	(0.004)	(0.007)	(0.013)	(0.019)
Legal origin*ETHNIC	0.005	-0.010	-0.132**	-0.060*	-0.030	-0.019	-0.014	0.018	0.051
	(0.040)	(0.028)	(0.053)	(0.036)	(0.019)	(0.013)	(0.018)	(0.030)	(0.069)
Landlocked*ETHNIC	-0.008	-0.001	-0.042	-0.067	0.004	0.013	-0.009	0.013	0.152*
	(0.059)	(0.044)	(0.079)	(0.069)	(0.035)	(0.026)	(0.039)	(0.062)	(0.091)
Constant	-0.579	-0.265	-1.825**	-0.623	-0.221	-0.073	0.481*	0.810	1.640*
	(0.353)	(0.303)	(0.919)	(0.382)	(0.257)	(0.152)	(0.258)	(0.733)	(0.951)
R-squared	0.054								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 71: Regression results of democratic accountability indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.002	0.004	0.009	0.005	0.002	0.000	0.001	0.002	0.002
	(0.003)	(0.003)	(0.007)	(0.004)	(0.002)	(0.002)	(0.002)	(0.004)	(0.008)
Inflation	0.000	0.000	0.001	0.002	-0.000	-0.000	-0.001	0.001	-0.002
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)
Trade openness	0.003*	0.001	-0.004	-0.001	-0.000	0.000	0.001*	0.002**	0.003**
	(0.001)	(0.001)	(0.002)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
Gross capital formation	-0.001	-0.000	0.008**	0.004	0.002	-0.000	-0.001	-0.007***	-0.012***
	(0.003)	(0.002)	(0.004)	(0.003)	(0.002)	(0.001)	(0.001)	(0.002)	(0.004)
US GDP per capita growth	-0.016	-0.020*	-0.019	-0.027*	-0.012	-0.009*	-0.022***	-0.030	-0.044
	(0.012)	(0.011)	(0.024)	(0.014)	(0.009)	(0.005)	(0.008)	(0.020)	(0.042)
US central bank policy rate	0.012	0.013	0.022	0.045***	0.014**	0.011**	0.002	0.000	0.027
	(0.011)	(0.011)	(0.024)	(0.015)	(0.007)	(0.005)	(0.008)	(0.015)	(0.033)
US volatility VIX	0.000	0.002	-0.010	-0.003	0.000	0.000	-0.001	0.005	0.009
	(0.004)	(0.004)	(0.008)	(0.006)	(0.002)	(0.002)	(0.003)	(0.006)	(0.011)
US policy uncertainty	-0.001	-0.001	0.004**	0.003*	0.000	-0.000	-0.002**	-0.004***	-0.004*
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.003)
US commodity price	0.021	0.022	0.112*	0.056	0.028*	0.015	0.012	0.010	0.002
	(0.016)	(0.016)	(0.058)	(0.043)	(0.015)	(0.010)	(0.021)	(0.028)	(0.049)
Natural resources	0.004	0.006	0.008	0.001	-0.000	-0.001	0.005*	0.007	0.006
	(0.005)	(0.004)	(0.011)	(0.007)	(0.004)	(0.002)	(0.003)	(0.007)	(0.009)
Financial openness	0.029	0.014	0.024	0.018	0.012	0.004	0.025	0.033	0.046
	(0.030)	(0.019)	(0.032)	(0.026)	(0.013)	(0.009)	(0.015)	(0.023)	(0.035)
Schooling	0.001	0.001	0.023	0.012	0.008	-0.002	-0.007	-0.012	0.006
	(0.020)	(0.010)	(0.022)	(0.013)	(0.005)	(0.004)	(0.006)	(0.013)	(0.020)
Aid flows	0.743*	0.821***	1.796***	0.573	0.306	0.065	0.208	1.227	1.999*
	(0.443)	(0.295)	(0.632)	(0.444)	(0.255)	(0.174)	(0.328)	(0.870)	(1.093)
External debt	-0.010	-0.019	-0.274**	-0.250***	-0.115***	-0.022	0.056	0.141*	0.177
	(0.056)	(0.048)	(0.111)	(0.074)	(0.044)	(0.031)	(0.041)	(0.082)	(0.122)
Infrastructure	-0.002	0.000	-0.001	-0.010	-0.007	0.001	0.001	0.002	-0.013
	(0.012)	(0.007)	(0.013)	(0.010)	(0.006)	(0.006)	(0.006)	(0.009)	(0.012)
Population growth	-0.002	0.005	0.024	0.019	0.018	0.003	-0.034*	-0.038	-0.050
	(0.031)	(0.026)	(0.043)	(0.028)	(0.020)	(0.016)	(0.018)	(0.034)	(0.062)
Net foreign assets	0.000**	0.000*	0.000	0.000	-0.000	-0.000	0.000	0.000	0.000*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.133**	0.064	0.162	0.026	0.029	0.025	0.025	-0.024	-0.093
	(0.059)	(0.050)	(0.141)	(0.064)	(0.039)	(0.036)	(0.042)	(0.117)	(0.125)
Financial crisis dummy	-0.016	-0.018	-0.111	-0.133*	-0.064	-0.010	0.003	0.055	0.102
	(0.057)	(0.055)	(0.091)	(0.078)	(0.054)	(0.028)	(0.044)	(0.116)	(0.300)
Landlocked dummy	-	-0.112	-0.070	-0.109	-0.053	-0.034	-0.136*	-0.192	-0.169
		(0.113)	(0.212)	(0.196)	(0.080)	(0.054)	(0.077)	(0.177)	(0.324)
Legal origin dummy	-	-0.080	0.245	0.116	0.025	-0.038	-0.125	-0.283**	-0.265
		(0.095)	(0.180)	(0.119)	(0.073)	(0.055)	(0.087)	(0.133)	(0.210)
Quantitative easing dummy	0.015	0.060	-0.211	-0.130	-0.042	0.008	0.114**	0.322***	0.324**
	(0.074)	(0.069)	(0.138)	(0.083)	(0.052)	(0.036)	(0.054)	(0.094)	(0.156)
Exchange rate regime	-0.002	-0.001	-0.006	-0.004	-0.001	-0.001	0.001	0.003	0.006
	(0.008)	(0.004)	(0.008)	(0.006)	(0.003)	(0.002)	(0.004)	(0.006)	(0.010)
Democratic accountability	0.015	0.002	0.120**	0.043*	0.014	-0.010	-0.016	-0.008	0.040
	(0.027)	(0.021)	(0.059)	(0.026)	(0.011)	(0.015)	(0.018)	(0.036)	(0.047)
Aid flow*DEMOC	-0.018	-0.013	-0.035	-0.008	-0.004	0.003	-0.002	-0.039*	-0.089***
	(0.014)	(0.012)	(0.025)	(0.015)	(0.007)	(0.007)	(0.011)	(0.020)	(0.027)
Financial openness*DEMOC	-0.018	-0.006	0.002	-0.010	-0.005	0.004	-0.012	-0.021	-0.040
	(0.017)	(0.013)	(0.026)	(0.017)	(0.010)	(0.007)	(0.010)	(0.016)	(0.025)
Natural resources*DEMOC	-0.018	-0.009	-0.028	-0.008	-0.006	0.000	0.001	-0.005	0.006
	(0.012)	(0.009)	(0.025)	(0.013)	(0.005)	(0.005)	(0.007)	(0.015)	(0.022)
Legal origin*DEMOC	0.042	0.026	-0.060	-0.035	-0.008	0.017	0.049**	0.081**	0.057
	(0.032)	(0.027)	(0.051)	(0.034)	(0.021)	(0.016)	(0.024)	(0.038)	(0.059)
Landlocked*DEMOC	0.025	0.021	0.010	0.021	0.003	0.002	0.035	0.055	0.030
	(0.041)	(0.034)	(0.054)	(0.049)	(0.022)	(0.016)	(0.023)	(0.048)	(0.083)
Constant	-0.729**	-0.243	-1.664**	-0.567	-0.250	-0.059	0.297	0.817	1.118
	(0.345)	(0.284)	(0.844)	(0.377)	(0.198)	(0.190)	(0.238)	(0.649)	(0.679)
R-squared	0.063								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 72: Regression results of bureaucracy quality indicator effect on bank inflows conditional on certain country characteristics

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.003	0.004	0.007	0.006*	0.000	0.000	0.000	0.006	0.012
	(0.003)	(0.003)	(0.006)	(0.003)	(0.002)	(0.001)	(0.003)	(0.005)	(0.009)
Inflation	0.000	-0.000	0.000	0.000	0.000	-0.000	-0.001	-0.001	-0.002
	(0.001)	(0.001)	(0.003)	(0.002)	(0.001)	(0.000)	(0.001)	(0.002)	(0.003)
Trade openness	0.002	0.001	-0.001	-0.001	-0.000	0.000	0.001**	0.002**	0.003*
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.002)
Gross capital formation	-0.001	-0.000	0.010**	0.004	0.002	0.000	-0.001	-0.005	-0.008*
	(0.003)	(0.002)	(0.004)	(0.003)	(0.001)	(0.001)	(0.002)	(0.003)	(0.005)
US GDP per capita growth	-0.017	-0.020*	-0.043*	-0.029**	-0.012	-0.009*	-0.019**	-0.041**	-0.040
	(0.012)	(0.012)	(0.024)	(0.013)	(0.008)	(0.005)	(0.009)	(0.021)	(0.032)
US central bank policy rate	0.014	0.013	0.046**	0.038***	0.018**	0.011**	-0.005	-0.002	0.035
	(0.012)	(0.011)	(0.022)	(0.013)	(0.007)	(0.005)	(0.009)	(0.019)	(0.030)
US volatility VIX	0.001	0.001	-0.012	-0.003	0.000	0.000	-0.003	0.000	0.003
	(0.004)	(0.004)	(0.009)	(0.006)	(0.003)	(0.002)	(0.003)	(0.005)	(0.010)
US policy uncertainty	-0.001	-0.001	0.006**	0.003*	0.001	-0.000	-0.002**	-0.005***	-0.003
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.003)
US commodity price	0.021	0.022	0.121**	0.074*	0.023	0.014	0.010	0.003	0.022
	(0.017)	(0.016)	(0.050)	(0.040)	(0.016)	(0.012)	(0.020)	(0.030)	(0.067)
Natural resources	0.004	0.005	0.006	0.004	0.001	-0.000	0.004	0.011	-0.001
	(0.005)	(0.004)	(0.010)	(0.005)	(0.003)	(0.003)	(0.004)	(0.008)	(0.010)
Financial openness	0.033	0.024	0.052	0.009	0.016	0.009	0.019	0.018	0.034
	(0.031)	(0.023)	(0.043)	(0.035)	(0.019)	(0.012)	(0.020)	(0.028)	(0.042)
Schooling	0.002	0.002	0.016	0.006	0.007	0.001	-0.002	-0.007	-0.014
	(0.020)	(0.011)	(0.019)	(0.010)	(0.005)	(0.004)	(0.006)	(0.013)	(0.022)
Aid flows	0.618	0.799**	1.279**	0.335	0.311	0.128	0.123	0.650	1.960*
	(0.439)	(0.311)	(0.643)	(0.338)	(0.207)	(0.159)	(0.340)	(1.023)	(1.101)
External debt	-0.004	-0.011	-0.323**	-0.222***	-0.116***	-0.030	0.068	0.187**	0.226
	(0.058)	(0.050)	(0.128)	(0.076)	(0.041)	(0.033)	(0.051)	(0.086)	(0.143)
Infrastructure	-0.001	0.002	-0.010	-0.003	-0.007	0.001	0.006	0.005	-0.008
	(0.012)	(0.008)	(0.012)	(0.007)	(0.006)	(0.005)	(0.007)	(0.011)	(0.012)
Population growth	-0.001	0.005	0.058	0.039	0.024	-0.007	-0.033	-0.046	-0.068
	(0.031)	(0.026)	(0.039)	(0.025)	(0.018)	(0.016)	(0.021)	(0.034)	(0.060)
Net foreign assets	0.000**	0.000*	0.000	0.000	-0.000	-0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Terms of trade	0.123**	0.074	0.102	0.024	0.052	-0.001	0.009	0.000	-0.057
	(0.060)	(0.052)	(0.125)	(0.064)	(0.041)	(0.030)	(0.044)	(0.120)	(0.116)
Financial crisis dummy	-0.021	-0.020	-0.113	-0.121	-0.068	-0.009	0.036	0.013	0.161
	(0.057)	(0.055)	(0.102)	(0.075)	(0.053)	(0.028)	(0.042)	(0.125)	(0.236)
Landlocked dummy	-	-0.085	0.088	0.049	-0.043	-0.030	-0.094*	-0.228	-0.422*
		(0.087)	(0.216)	(0.126)	(0.046)	(0.035)	(0.056)	(0.138)	(0.253)
Legal origin dummy	-	-0.024	0.183	0.038	0.002	-0.007	-0.063	-0.234**	-0.297
		(0.077)	(0.207)	(0.114)	(0.045)	(0.036)	(0.060)	(0.117)	(0.194)
Quantitative easing dummy	0.016	0.050	-0.371***	-0.159**	-0.061	0.013	0.131***	0.311***	0.222
	(0.073)	(0.069)	(0.138)	(0.080)	(0.049)	(0.033)	(0.048)	(0.109)	(0.177)
Exchange rate regime	-0.006	-0.003	0.001	-0.004	0.000	-0.001	-0.000	0.001	-0.003
	(0.008)	(0.005)	(0.010)	(0.006)	(0.003)	(0.002)	(0.003)	(0.007)	(0.010)
Bureaucracy quality	0.016	0.001	0.156	0.010	-0.011	-0.030	-0.057*	-0.060	-0.005
	(0.039)	(0.032)	(0.132)	(0.070)	(0.028)	(0.020)	(0.032)	(0.056)	(0.089)
Aid flow*BUR	-0.021	-0.024	-0.062	-0.020	-0.025	0.003	-0.001	-0.037	-0.118**
	(0.025)	(0.022)	(0.039)	(0.030)	(0.021)	(0.013)	(0.019)	(0.050)	(0.056)
Financial openness*BUR	-0.033	-0.021	-0.057	-0.009	-0.004	0.003	-0.012	-0.007	-0.056
	(0.030)	(0.028)	(0.063)	(0.048)	(0.029)	(0.016)	(0.022)	(0.035)	(0.054)
Natural resources*BUR	0.003	0.001	-0.020	-0.010	-0.013	0.000	-0.004	0.007	0.032
	(0.023)	(0.018)	(0.033)	(0.021)	(0.015)	(0.010)	(0.014)	(0.027)	(0.037)
Legal origin*BUR	0.050	0.029	-0.096	-0.004	-0.001	0.019	0.055	0.126**	0.172
	(0.062)	(0.042)	(0.121)	(0.067)	(0.030)	(0.023)	(0.036)	(0.060)	(0.107)
Landlocked*BUR	0.007	0.008	-0.081	-0.052	0.011	-0.006	0.037	0.103	0.207
	(0.091)	(0.051)	(0.119)	(0.074)	(0.032)	(0.022)	(0.037)	(0.069)	(0.131)
Constant	-0.619*	-0.294	-1.416*	-0.483	-0.336	0.093	0.418*	0.849	1.106
	(0.344)	(0.298)	(0.779)	(0.329)	(0.214)	(0.169)	(0.253)	(0.679)	(0.680)
R-squared	0.056								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the aggregate lending flows as a percentage of GDP. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 73: Regression results of FDI flows effect on political risk

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.074	0.078*	0.201*	0.203*	0.147	0.096	0.104	0.119	0.053
	(0.045)	(0.045)	(0.106)	(0.107)	(0.095)	(0.106)	(0.066)	(0.093)	(0.110)
Inflation	-0.034**	-0.032**	0.023	0.002	-0.014	-0.036	-0.024	-0.026	-0.052*
	(0.015)	(0.015)	(0.033)	(0.025)	(0.024)	(0.022)	(0.027)	(0.028)	(0.031)
Trade openness	-0.006	0.000	0.053*	0.051**	0.039*	0.049***	0.046***	0.043**	0.048**
	(0.018)	(0.018)	(0.031)	(0.022)	(0.021)	(0.018)	(0.016)	(0.021)	(0.023)
Gross capital formation	0.138***	0.133***	0.131**	0.146**	0.161***	0.132***	0.048	-0.037	-0.069
	(0.037)	(0.036)	(0.058)	(0.064)	(0.054)	(0.048)	(0.060)	(0.050)	(0.051)
US GDP per capita growth	0.517***	0.519***	0.385	0.335	0.436	0.525**	0.570***	0.620**	0.640**
	(0.156)	(0.156)	(0.331)	(0.296)	(0.266)	(0.260)	(0.202)	(0.246)	(0.257)
US central bank policy rate	0.248*	0.244	0.591*	0.575**	0.455**	0.217	-0.019	0.001	-0.137
	(0.150)	(0.151)	(0.336)	(0.249)	(0.230)	(0.255)	(0.233)	(0.250)	(0.251)
US volatility VIX	0.059	0.056	0.021	0.036	0.082	0.005	0.047	0.045	-0.026
	(0.051)	(0.050)	(0.125)	(0.097)	(0.081)	(0.104)	(0.062)	(0.092)	(0.088)
US policy uncertainty	0.003	0.004	0.017	0.024	0.019	0.022	-0.010	0.024	0.021
	(0.013)	(0.013)	(0.030)	(0.027)	(0.021)	(0.024)	(0.019)	(0.028)	(0.029)
US commodity price	0.011	0.020	0.506	0.493	0.383	0.119	-0.090	-0.240	-0.328
	(0.216)	(0.217)	(0.524)	(0.524)	(0.438)	(0.448)	(0.387)	(0.309)	(0.339)
Natural resources	0.025	0.018	0.002	-0.043	0.013	-0.037	-0.088	-0.230	-0.164
	(0.060)	(0.060)	(0.113)	(0.123)	(0.096)	(0.076)	(0.081)	(0.153)	(0.173)
Financial openness	-1.212***	-1.210***	-0.231	-0.089	-0.469	-0.160	0.209	0.517	0.768*
	(0.423)	(0.411)	(0.603)	(0.597)	(0.426)	(0.398)	(0.496)	(0.398)	(0.423)
Schooling	-0.115	-0.109	-0.483	-0.584	-0.509*	-0.426*	-0.477***	-0.181	-0.300
	(0.258)	(0.244)	(0.422)	(0.374)	(0.265)	(0.223)	(0.160)	(0.216)	(0.220)
Aid flows	-27.360**	-25.558**	-8.782	-9.168	9.845	0.058	7.505	13.862	4.303
	(5.786)	(5.625)	(12.146)	(11.101)	(11.875)	(7.771)	(9.082)	(10.912)	(11.709)
External debt	0.482	0.209	-2.584	-2.380	-2.439*	-1.133	-2.297*	-1.234	-1.020
	(0.728)	(0.722)	(1.623)	(1.445)	(1.284)	(1.012)	(1.282)	(1.229)	(1.231)
Infrastructure	0.393***	0.477***	1.230***	1.027***	0.941***	0.812***	0.713***	0.466***	0.282
	(0.151)	(0.144)	(0.226)	(0.158)	(0.161)	(0.185)	(0.133)	(0.130)	(0.176)
Population growth	0.750*	0.735*	1.747*	0.870	-0.096	0.569	0.251	-0.631	-1.950**
	(0.400)	(0.394)	(1.043)	(1.023)	(0.845)	(0.756)	(0.636)	(0.800)	(0.903)
Net foreign assets	0.000	0.000	-0.000	-0.000	-0.000	-0.000	0.000	0.001	0.001
	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Terms of trade	0.655	0.502	-0.710	-1.606	-0.286	-0.594	-0.143	-0.459	-1.699
	(0.771)	(0.765)	(1.868)	(1.438)	(1.252)	(1.455)	(1.426)	(1.796)	(2.215)
Financial crisis dummy	0.399	0.324	1.318	0.223	-0.973	0.564	0.685	-0.563	-0.003
	(0.756)	(0.756)	(1.380)	(1.117)	(1.207)	(1.089)	(0.803)	(0.877)	(1.019)
Landlocked dummy	-	-23.799**	-13.674**	-7.144	-9.952**	-10.482**	-15.759**	-13.840**	-14.071**
		(4.397)	(6.465)	(5.614)	(4.772)	(5.061)	(5.955)	(6.876)	(7.044)
Legal origin dummy	-	-23.034**	-32.162**	-35.994**	-37.708**	-42.010**	-44.093**	-47.191**	-42.181**
		(3.765)	(5.708)	(4.286)	(3.880)	(3.778)	(3.235)	(6.377)	(6.907)
Quantitative easing dummy	-4.691***	-4.777***	-4.798**	-5.125***	-4.389***	-5.421***	-5.013***	-5.989***	-6.137***
	(0.957)	(0.955)	(1.914)	(1.940)	(1.498)	(1.370)	(1.262)	(1.985)	(2.156)
Exchange rate regime	-0.127	-0.094	-0.291*	-0.068	0.062	0.166	0.418***	0.339***	0.188
	(0.104)	(0.099)	(0.165)	(0.119)	(0.120)	(0.111)	(0.093)	(0.125)	(0.145)
Aid flow*PR	0.059***	0.060***	0.150***	0.119***	0.090***	0.043**	0.020	0.002	0.008
	(0.011)	(0.011)	(0.028)	(0.020)	(0.020)	(0.018)	(0.017)	(0.019)	(0.026)
Financial openness*PR	0.027**	0.028**	0.042	0.025	0.042**	0.006	-0.027	-0.030	-0.039**
	(0.014)	(0.013)	(0.030)	(0.026)	(0.018)	(0.017)	(0.017)	(0.019)	(0.016)
Natural resources*PR	0.029***	0.023***	-0.019	-0.022*	-0.026**	-0.018*	-0.021**	-0.011	0.003
	(0.009)	(0.009)	(0.019)	(0.013)	(0.013)	(0.011)	(0.010)	(0.012)	(0.016)
Legal origin*PR	0.385***	0.429***	0.690***	0.740***	0.711***	0.731***	0.714***	0.751***	0.690***
	(0.053)	(0.051)	(0.094)	(0.074)	(0.061)	(0.059)	(0.051)	(0.094)	(0.102)
Landlocked*PR	0.404***	0.392***	0.205*	0.091	0.139*	0.152*	0.236**	0.192*	0.185
	(0.064)	(0.063)	(0.107)	(0.095)	(0.076)	(0.081)	(0.097)	(0.108)	(0.113)
FDI	0.039	0.038	0.017	-0.056	-0.111	0.046	0.053	0.080	0.077
	(0.051)	(0.050)	(0.104)	(0.097)	(0.124)	(0.070)	(0.058)	(0.072)	(0.095)
Constant	32.936***	47.425***	35.465***	44.437***	43.382***	50.428***	58.725***	63.294***	77.945***
	(4.589)	(4.651)	(11.409)	(9.063)	(7.699)	(8.467)	(7.348)	(8.320)	(10.484)
R-squared	0.501								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the composite political risk index. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

Table E2- 74: Regression results of bank flows effect on political risk

Variables	Fixed Effects	Pooled	Quantiles						
			5th	10th	25th	50th	75th	90th	95th
GDP per capita growth	0.072	0.085*	0.154	0.208**	0.139	0.093	0.091	0.148	0.094
	(0.045)	(0.046)	(0.095)	(0.097)	(0.091)	(0.102)	(0.066)	(0.090)	(0.120)
Inflation	-0.034**	-0.031**	0.023	-0.009	-0.015	-0.037	-0.022	-0.030	-0.058*
	(0.015)	(0.015)	(0.031)	(0.026)	(0.023)	(0.025)	(0.027)	(0.029)	(0.030)
Trade openness	-0.004	0.010	0.053*	0.049**	0.041*	0.046***	0.042***	0.050**	0.049**
	(0.018)	(0.017)	(0.030)	(0.024)	(0.022)	(0.015)	(0.016)	(0.022)	(0.024)
Gross capital formation	0.147***	0.133***	0.123**	0.143***	0.136***	0.141***	0.069	-0.025	-0.053
	(0.035)	(0.035)	(0.062)	(0.053)	(0.047)	(0.051)	(0.057)	(0.043)	(0.049)
US GDP per capita growth	0.498***	0.502***	0.319	0.340	0.443	0.476*	0.599***	0.611***	0.623***
	(0.156)	(0.162)	(0.387)	(0.276)	(0.270)	(0.287)	(0.228)	(0.232)	(0.228)
US central bank policy rate	0.258*	0.253	0.407	0.492*	0.502**	0.200	-0.035	0.035	-0.135
	(0.150)	(0.156)	(0.313)	(0.289)	(0.235)	(0.254)	(0.212)	(0.271)	(0.247)
US volatility VIX	0.063	0.060	0.086	0.018	0.026	0.019	0.032	0.015	-0.039
	(0.050)	(0.051)	(0.099)	(0.102)	(0.078)	(0.091)	(0.079)	(0.083)	(0.086)
US policy uncertainty	0.003	0.006	-0.005	0.021	0.028	0.016	-0.006	0.026	0.032
	(0.013)	(0.014)	(0.030)	(0.026)	(0.019)	(0.022)	(0.020)	(0.028)	(0.029)
US commodity price	0.017	0.043	0.330	0.636	0.312	0.076	-0.197	-0.346	-0.279
	(0.216)	(0.225)	(0.608)	(0.445)	(0.403)	(0.428)	(0.410)	(0.350)	(0.338)
Natural resources	0.026	0.012	-0.010	-0.034	-0.011	-0.024	-0.071	-0.203	-0.301
	(0.060)	(0.062)	(0.129)	(0.105)	(0.083)	(0.090)	(0.098)	(0.162)	(0.189)
Financial openness	-1.222***	-1.142***	-0.170	0.150	-0.518	-0.127	0.380	0.562	1.044**
	(0.423)	(0.406)	(0.495)	(0.522)	(0.521)	(0.373)	(0.468)	(0.438)	(0.426)
Schooling	-0.099	-0.140	-0.655*	-0.540*	-0.414	-0.418*	-0.481***	-0.291	-0.334
	(0.257)	(0.232)	(0.386)	(0.281)	(0.316)	(0.239)	(0.170)	(0.199)	(0.259)
Aid flows	-28.376**	-23.254**	-3.858	-11.013	4.429	2.339	9.755	11.320	9.926
	(5.640)	(5.497)	(10.407)	(9.937)	(10.823)	(8.088)	(8.508)	(11.490)	(12.449)
External debt	0.547	-0.140	-2.554	-1.280	-1.933	-1.513	-2.828**	-1.530	-1.301
	(0.729)	(0.737)	(1.560)	(1.616)	(1.313)	(1.077)	(1.261)	(1.192)	(1.203)
Infrastructure	0.381**	0.569***	1.178***	0.966***	0.963***	0.795***	0.735***	0.448***	0.231*
	(0.151)	(0.139)	(0.202)	(0.173)	(0.163)	(0.209)	(0.160)	(0.141)	(0.140)
Population growth	0.727*	0.719*	1.897**	0.789	0.320	0.662	0.242	-0.673	-2.270***
	(0.399)	(0.399)	(0.768)	(1.002)	(0.913)	(0.914)	(0.673)	(0.686)	(0.876)
Net foreign assets	0.000	0.000	-0.000	-0.000	-0.000	-0.000	0.000	0.000	0.001
	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Terms of trade	0.647	0.273	-2.493	-0.931	0.594	-0.702	-0.271	-0.569	-1.270
	(0.771)	(0.779)	(1.675)	(1.341)	(1.162)	(1.518)	(1.250)	(2.023)	(2.051)
Financial crisis dummy	0.310	0.155	1.116	0.556	-0.619	0.076	0.619	-0.129	-0.865
	(0.751)	(0.775)	(1.463)	(1.307)	(1.309)	(1.052)	(0.967)	(1.069)	(1.030)
Landlocked dummy	-	-22.325**	-13.206**	-7.399	-9.570	-10.710**	-15.156**	-12.264**	-15.202**
		(3.929)	(5.306)	(4.781)	(5.914)	(5.146)	(5.162)	(5.628)	(7.103)
Legal origin dummy	-	-26.818**	-33.542**	-36.588**	-37.067**	-41.402**	-44.331**	-46.520**	-42.301**
		(3.268)	(5.893)	(4.743)	(4.210)	(3.950)	(3.973)	(6.599)	(7.057)
Quantitative easing dummy	-4.652***	-4.840***	-3.551	-5.051***	-4.919***	-5.082***	-5.045***	-6.050***	-6.582***
	(0.954)	(0.981)	(2.231)	(1.879)	(1.299)	(1.479)	(1.349)	(1.916)	(2.290)
Exchange rate regime	-0.115	-0.035	-0.247	-0.025	0.043	0.148	0.413***	0.340***	0.202
	(0.103)	(0.095)	(0.175)	(0.143)	(0.136)	(0.125)	(0.103)	(0.124)	(0.144)
Aid flow*PR	0.059***	0.062***	0.126***	0.119***	0.096***	0.038*	0.024	0.006	0.010
	(0.011)	(0.011)	(0.028)	(0.023)	(0.019)	(0.020)	(0.020)	(0.020)	(0.026)
Financial openness*PR	0.028**	0.027**	0.044*	0.016	0.039*	0.003	-0.033*	-0.029	-0.048***
	(0.014)	(0.014)	(0.025)	(0.023)	(0.020)	(0.017)	(0.017)	(0.018)	(0.018)
Natural resources*PR	0.028***	0.015*	-0.021	-0.027*	-0.028**	-0.017	-0.018*	-0.012	0.002
	(0.009)	(0.009)	(0.017)	(0.015)	(0.012)	(0.012)	(0.010)	(0.013)	(0.012)
Legal origin*PR	0.385***	0.489***	0.720***	0.745***	0.704***	0.723***	0.715***	0.747***	0.689***
	(0.053)	(0.050)	(0.096)	(0.073)	(0.070)	(0.060)	(0.059)	(0.096)	(0.104)
Landlocked*PR	0.404***	0.368***	0.191**	0.105	0.144	0.153*	0.217***	0.163*	0.193*
	(0.064)	(0.063)	(0.091)	(0.081)	(0.096)	(0.083)	(0.082)	(0.087)	(0.112)
BF	0.638	0.661	2.163**	1.562	0.621	-0.414	-0.498	-0.845	-1.108
	(0.530)	(0.550)	(0.927)	(0.931)	(1.080)	(1.146)	(1.763)	(1.274)	(1.534)
Constant	32.716***	47.700***	45.414***	41.712***	37.887***	51.590***	59.505***	64.430***	76.563***
	(4.575)	(4.575)	(10.016)	(8.907)	(7.034)	(8.464)	(6.110)	(9.880)	(10.865)
R-squared	0.501								
Observations	626	626	626	626	626	626	626	626	626

Notes: The dependent variable the composite political risk index. ***, **, and * indicate statistical significance at the 1%, 5% and 10% levels, respectively. Standard errors are presented in parentheses.

CHAPTER 3

Cross-border Capital Flow Volatility and Domestic Institutions

3.1 Introduction

For many decades, cross-border capital flows have proven to be beneficial through their well-established reputation of being a major source of external finance, promoting domestic development, savings, employment, facilitating the transfer of technology and many others. With globalisation and increased capital mobility across the world, however, many countries began to witness rapid swings of capital flows through large influxes and withdrawals, exposing them to major risks and macroeconomic policy challenges (Stallings, 2007). Such volatility became especially alarming following the rise of many financial episodes, raising concerns about the long-term financial stability of economies worldwide.

The primary setback of volatile cross-border capital flows stems from its ability to initiate crises that can lead to shocks and spillovers among countries that are highly financially integrated. Effectively, capital flow volatility has often been criticised to be a transmission channel that feeds macroeconomic and financial sector vulnerabilities due to their procyclical nature which can consequently amplify systemic financial risks.[17] Claessens and Ghosh (2013) review the periods of capital flow surges and show that, on one hand, at macro level, they led to increasing current account and fiscal deficits, higher inflationary and exchange rate appreciation pressures, resulting in slowed down economic growth over long periods. Such consequences give rise to "overheating pressures" by intensifying domestic cycles, causing macroeconomic vulnerabilities. On the other hand, large capital movements increase financial fragility through mismatches in banks' balance sheets, asset price booms and overall credit expansion (Contessi et al., 2013). These consequences have been reflected especially through advanced and emerging economies, which have both witnessed high volatility during global crises of the 1990s and 2008-09 and have continued to experience high volatile capital flows throughout the post-crisis period. While advanced economies have faced higher volatility since the fall in oil prices in 2014, emerging

[17] Systemic risk is defined as "the risk of widespread disruption to the provision of financial services that is caused by an impairment of all or parts of the financial system, which can cause serious negative consequences for the real economy" (IMF, 2018).

economies found its gross inflows to significantly drop by approximately 50% in 2015. This led to a decline in economic activities in major emerging economies, including major oil-producing countries such as Brazil, Russia and Mexico, causing the US dollar to appreciate due to expected tightening of US monetary policies, which, consequently, propagated further adversities to countries strongly associated to the US (Moreno et al., 2016).

Aiming to mitigate such concerns, the post-crisis period witnessed the evolution of a range of policies and domestic tools that have contributed to the improvement of global financial conditions (IMF, 2019). This relates to the strand of literature focused on the effectiveness of capital flow management measures and micro and macroprudential policies.[18] Although such tools have continuously proven to be successful in limiting some elements of systemic risks, such as excessive bank credit growth and leverage, and supporting macroeconomic adjustments, they have not been found to be as strongly successful to buffer against volatile capital flows (Borio and Shim, 2007; Lim et al., 2011; Claessen et al., 2013; Forbes et al., 2015).[19] In fact, these measures have a high probability of damaging the country's investment profile and reputation if additional measures are built upon an existing complex regulatory structure, dampening investors' trust and increasing costs to the economy. Moreover, the effectiveness of these tools on financial system risks may also be temporary without the appropriate policies or institutional framework (Gueyes et al., 2014). As such, the financial stability of economies would be in jeopardy for as long as countries have no control on the movement of their foreign investment. This is particularly critical since according to the IMF (2019), both advanced and emerging economies continue to face augmented build-up of financial vulnerabilities, and if not looked into, increases the susceptibility of economies to capital flow reversals or sudden stops which may also result in asset price reversals and increase the likelihood of ongoing domestic economic and financial downturns. Hence, such macroeconomic and financial stability implications and the continuous trend of volatile capital flows raise the urgency for policymakers to find the right measures to address this subject. Consequently, it has become imperative for economies to delve deeper into the roots of volatile capital flows, which is where the role of institutions[20] comes into effect.

[18] The IMF (2012) defines capital flow management as "measures (often price-based or administrative) that are designed to limit capital flows" and macroprudential policies are defined as "prudential tools that are primarily designed to limit systemic financial risk and maintain financial system stability"

[19] Some weak evidence of their effectiveness on different types of capital flows are found by Cerutti et al. (2019), Ghosh et al. (2014) and Ahmed and Zlate (2014).

[20] The terms institutional quality, governance, political environment, political stability and political risk are used interchangeably throughout this study to reflect an economy's institutional arrangement.

Many previous studies have highlighted the importance of the political environment when it comes to understanding the behaviour of international capital flows (Papaioannou, 2009; Buchanan et al., 2012; Julio and Yook, 2016). Political uncertainty has been commonly defined as risks or consequences arising from institutional decisions or political events that have the potential to influence investors, corporations or governments (Kobrin, 1982; Root, 1972). This can occur through interferences or modifications in the regulatory structure of institutions, pertaining to the enforcement and transparency of laws and regulations, such as tight regulations, restrictions, high costs or undesirable taxation policies, instigating uncertainty related to government practices and their efficacity. Additionally, the government's degree of accountability and reliability, changes in the country's political system or unforeseen events including political tensions or social conflicts can all generate damaging consequences to investors. By impacting on an economy's point of attraction, such instabilities can lead to the erosion of investors' trust and result in unpredictable changes in investment decisions. Moreover, a political intervention can have a huge impact as they are often in terms of policy decisions taken instantly by governments that can have a direct effect on the economy. For example, the recent unilateral decision of the US president to ban all travels from the UK and Europe temporarily to contain the outbreak of coronavirus (Covid-19) has had an immediate effect on the hotel industry, the hospitality sector and across all airlines. Hence, it is not surprising that the quality of institutions may have a role to play on the degree of capital flows fluctuations.

Interestingly, various studies propose that countries with political stability and sound institutions can cope with the consequences of volatile capital flows and attract more stable investment (Claessens and Ghosh, 2013; Moreno et al., 2016). While a country's institutional background provides an indication of its quality of operational arrangement and would, thus, also reflect its ability to manage unpredictable changes or movement of capital flows efficiently, these studies fail to acknowledge the ambiguous relationship that exists between capital flows, political risk and institutional quality in the literature, where in many cases some characteristics of governance can have negative to no effects on capital flows (Le and Zak, 2006; Mina, 2012; Benacek et al., 2014). This casts doubt on whether political stability truly contributes to stabilising volatile capital flows or whether these mixed effects are also reflected with volatility. As such, if countries were to rely on their institutions as a remedy to volatile capital flows, there is a need to first establish an unambiguous connection between investment volatility and political institutions, initiating the purpose of this study. Such analysis would prove to be additionally informative since it would not only precisely reveal how domestic institutions can contribute to controlling volatile capital movement, but may also help to identify the loopholes that may be

encouraging volatility if there is any. As a result, countries would be able to work with their institutional foundations more effectively to attract a more stable flow of foreign investment and build long lasting financial stability and sustainability. This is additionally of increasing importance since ensuring resilience has become a recurring necessity and a key priority for advanced and emerging economies to shield them against the potential damage that are related to volatile capital flows (IMF, 2019).

Following this background, the contributions of this chapter are twofold. First, it aims to provide a deeper understanding to the political dimension of the capital flow volatility literature. The primary aim of this study is to assess the effects of a wide range of aspects of political risk and institutional quality on capital flow volatility using quarterly data on forty-three advanced and developing economies over the period of 1995 to 2018, employing 12 indicators measured by the PRS's International Country Risk Guide (ICRG). As far as institutional quality is concerned, a few studies use such an indicator merely as a control variable, with their main focus being either on the economic or financial determinants of capital flow volatility (see, for example, Li and Rajan's (2015) study whose emphasis is on capital controls and Lee et al. (2013) who assess the effects of contagion). To date, there are only two studies which have focused their investigation exclusively on the effects of institutional quality and are, thus, closest to this study; Alfaro et al. (2007) and Buchanan et al. (2012). However, the analysis in both studies is limited to using an average measure of institutional quality, hence providing a more generic view on its role. As such, we find the existing evidence to be inadequate and lacking a thorough investigation, which is a key to relevant and efficient policymaking. Moreover, unlike their studies which are based on annual data, this study utilises quarterly observations, aiming to improve the accuracy of the findings through details captured with higher frequency data, all contributing to the reliability of the findings.

Second, unlike Alfaro et al. (2007) and Buchanan et al. (2012) which focused on FDI inflows of institutional quality effects, this chapter also extends its analysis to the volatility of cross-border bank lending. While the latter has been considered in studies examining the economic determinants of volatility, to the best of our knowledge, this chapter is the first attempt to investigate the institutional determinants of bank lending volatility. Previous studies which have investigated more than one type capital flow volatility have often found mixed reactions (see, for example, Pagliari and Hannan, 2017 and Opperman and Adjasi, 2017), often increasing the challenge for policymaking due to their individual association with the economy. Hence, assessing the volatility of both FDI and bank flows will aid to provide additional

insights that will allow us to compare their behavior to political factors and whether the latter can contribute to shared policymaking to stabilise both types of capital flows or also adds to existing policy challenges linked with volatile capital flows.

The remainder of the study is structured as follows. Section 3.2 reports the existing literature on capital flow volatility. Section 3.3 presents the data description of the variables used in our empirical investigation. Section 3.4 describes the econometric model employed to assess the relationship between political risk and capital inflows. Section 3.5 presents the discussion of the main findings. Lastly, Section 3.6 concludes along with policy implications.

3.2 Literature Review

Despite that the political environment has increasingly been proved to be an important factor to consider as far as cross-border investment flows are concerned, empirical evidence documenting political institutions as a potential driver of flow volatility is sparse. This suggests that this specific line of research is still emerging. Instead, there is a growing literature on understanding the drivers of capital flow volatility and episodes, which have been found to be associated to a wide range of factors in the literature. As such, this section aims to review the relevant studies to cover the determinants associated with volatile capital flows.

A major stream identified in the literature focuses on drivers of capital flows, which include global push and domestic pull factors, the effect of contagion through different channels and the role of financial liberalisation and capital controls. As a result, there is a continuous debate about which of these factors is the best remedy to stabilise capital flows in various settings. Forbes and Warnock (2012) assess the effects of push and pull factors on sharp movements in capital flows which they classify as surges, stops, flights and retrenchment. Using a broad set of indicators falling under the global, contagion and domestic categories, they find that the main determinants of such capital episodes are associated with external factors, such as global risk, global growth and contagion. According to them, fluctuations of investment cannot be managed or controlled by domestic policymakers. As such, they suggest that countries and their government should emphasise on building their resilience against these episodes in order to limit their consequences on the economy. Similar conclusions are reached by Opperman and Adjasi (2017) for the case of Africa, who, however, state that this outcome cannot be generalised for all types of capital flows. For the period of 1990 to 2011, the authors assess the effects of similar push and pull factors on a constructed measure of the volatility of FDI, portfolio flows and foreign bank lending separately and find mixed results. Interestingly, first,

they find that the effects vary significantly based on the type of capital flow being assessed. For example, global liquidity, which appears to decrease FDI volatility, is also found to increase portfolio flows volatility. Second, despite the effects may not be consistent across all types of capital flows, they find significant evidence that domestic factors are also important to consider, where macroeconomic policies, trade openness and financial openness are all found to be at play for portfolio and bank flow volatility.

Further similar evidence is found by Pagliari and Hannan (2017), who also highlight the multidimensional link between the volatility of each type of capital flows and their external and domestic determinants. For a large group of 37 emerging and 28 advanced economies over 1980 to 2016, they confirm that FDI, portfolio flows and bank lending are all affected differently. Although they find that domestic factors, such as growth, trade openness and income level, play an important role in the behaviour of volatility, they conclude that in their case, external factors seem to be more significant. From their findings, the main global effects are noticeable with risk aversion and changes in oil prices. They further assess this relationship with individual countries and, due to variation in their findings, they underline that country characteristics should also be considered when analysing volatility. Also reaching similar conclusions on the volatility of both aggregate and disaggregated capital flows in emerging economies, Broto et al. (2011) finds stronger evidence of external factors causing volatility than domestic factors. They additionally state that this continuous debate about global and domestic factors and the ambiguous results across capital flow types increase the challenge for policymakers to find a long-term solution to stabilise volatility since a resolution of decreasing volatility, for FDI, for example, could amplify the volatility of other investment flows causing them to loop in a vicious circle.[21]

Further mixed evidence on disaggregated capital flows is found by Neumann et al. (2009), who focus more specifically on the effects of financial integration on volatility. For a set of 22 developing and developed economies over 1981 to 2000, they assess the effects of a financial liberalisation index[22] along with other domestic and external factors on FDI, portfolio equity and debt and other investment flows. Although they find that the results vary among different country groups and investment flow types, they prove that financial liberalisation is an important determinant of volatility for all country groups. For example, it increases FDI volatility only in emerging countries, increases portfolio flow volatility only in advanced countries, while it decreases the volatility of other investment flows in all markets, which partly includes bank

[21] This challenge is often termed as the "policy dilemma" in the capital flow volatility literature (Lee et al., 2013).
[22] They use an average index by Kaminsky and Schmukler (2003) capturing features of the domestic financial sector, openness of the capital account and the liberalisation of equity markets.

lending. They further assess the effects of the disaggregated liberalisation index and find that an economy's level of capital liberalisation specifically is a key factor when analysing capital flow volatility. Other studies which support this argument include Hwang et al. (2018), who, for a sample of 16 emerging countries over the period of 1999 to 2008, analyse the effects of capital flow management (CFM) measures[23] on capital flow episodes while also accounting for the push, pull and contagion effects. They distinguish between the effects of capital controls on inflows and related macroprudential measures, which they term as direct and indirect CFM respectively. Their findings show that both types are important factors that help to stabilise surges on inflows. Based on their findings, countries have a degree of control on the behaviour of capital flows since employing such measures and financial regulations can dampen drastic capital fluctuations and their consequences. Similarly, for a sample of 49 emerging and developing economies over the period of 1990 to 2009, Li and Rajan (2015) also investigate the effects of various capital controls on FDI, portfolio flows and total equity inflows and outflows. Interestingly, they also control for the quality of institutions in their model, explaining that they are an important factor to consider since they correlate with the risks of foreign investors. While they find that capital controls work effectively mostly to stabilise (FDI and equity) outflows and have limited effects on the volatility of (FDI and portfolio) inflows, they find that higher institutional quality in all cases helps to stabilise volatility. According to them, better-quality institutions promote capital flow stability, since they reflect improved administration, protection and regulations which reduces the risks of investors.

Other studies controlling for institutions include that of Lee et al. (2013), who consider institutional quality as a policy determinant while investigating mainly the effects of contagion[24] on capital flow volatility. For a sample of 49 emerging and developing economies, while they find strong contagion effects, suggesting that volatility in a developing country increases as a result of higher volatility in other developing countries, they also find the quality of institutions[25] to be a robust determining factor. Their findings reveal that among four policy variables, better institutions are the only one that aids to stabilise all three types of capital flows they assess, i.e., FDI, portfolio and other investment flows. Further similar evidence is found by Broner and Rigobon (2004), who find volatile capital flows to be strongly associated with weak institutions for both emerging and advanced economies. The authors state that although domestic and

[23] See Forbes et al. (2015) for a detailed explanation of capital flow management.

[24] They define contagion as "cross-border transmission of financial shocks, through co-movements of asset prices and capital flows".

[25] They use an aggregate measure of the World Bank's Worldwide Governance Indicators constructed by Kaufmann, Kraay and Mastruzzi. See Kaufmann et al. (2010) for more information about its methodology.

external factors are found to have some effects, they are not as significant as the weight of country characteristics, which consists of institutional quality. In a related study, for a sample of 50 emerging countries over the period of 1980 to 2009, Mercado and Park (2011) do not only find that domestic factors are more important than external factors in determining capital flow volatility, but also show that institutional quality are key factors to an economy if they are aiming to attract stable foreign investment. Although they use an aggregate measure in their analysis, they further highlight the importance of considering every aspect of institutional quality (for example, voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption) due to their implication.

Focusing more purposely on the importance of institutions, Alfaro et al. (2007) investigate the influence of institutions, government policies and the economy's financial structure on the volatility of various types of capital flows (FDI and equity inflows) for a sample of 47 countries for the period of 1970 to 2000. Based on their findings, weaker institutions and monetary policies are the main factors that contribute to the volatility of capital flows, suggesting that domestic factors undoubtedly have an important role to play in the evolution of capital flow volatility. This outcome is further confirmed by Buchanan et al. (2012), who find similar results for a sample of 164 countries over the period of 1996-2006. Using an aggregate measure of governance, they find FDI inflows to be significantly reduced by well-established institutions and further underline the importance of the latter by mentioning that policies to maintain macroeconomic stability for stable investment flows may not be effective if institutional arrangements are not being considered.

In summary, while there continues to be an on-going debate about the importance of external or domestic factors to initiating the volatility capital flows, it appears that many studies up to date are missing a key factor in this dynamic. All papers which explore the effects of institutional quality on capital flow volatility lead to the fact that it represents a major potential for economies, more than domestic macroeconomic policies in some cases and, thus, should not be underestimated. However, despite such evidence and importance, we find that this link has been given far too little attention and is yet to be explored thoroughly since there seems to be a lack of details and precision even in studies who have accounted for this aspect or even focused exclusively on this subject. This is particularly critical since even papers underlining the weight of external determinants' implication over domestic determinants of volatility mention the need to build the economy's resilience to face volatility rather than trying to eliminate it. This certainly involves their economic and financial stability which is ultimately rooted in the strength of their

institutions. Thus, we find that there is a need for a comprehensive investigation focusing entirely on political and institutional factors to provide more clarity on this relationship, leading to the purpose of this study.

3.3 Data Description

This study's empirical analysis employs a panel dataset consisting of quarterly observations for the period of 1995Q1 to 2018Q4. The sample covers forty-three developing and developed countries from different regions globally, namely Europe, Asia, America and Latin America.[26] The sample size and span are selected and constructed according to the availability of quarterly data. All data are obtained from Datastream and other additional sources. The names, definitions and sources of all data used in this study are provided in Table A3-1 (see Appendix A3).

3.3.1 The dependent variable

This section describes the composition of the dependent variable. This includes the selected type of capital flows to be assessed together with their data description, and their transformation into volatility series for the main empirical analysis of this study.

3.3.1.1 Types of capital flows

When it comes to the literature based solely on the volatility of capital flows, the importance to distinguish between the nature of each type of capital flows is highlighted (Neumann et al. 2009; Lee et al., 2013; Opperman and Adjasi, 2017). Effectively, previous studies show that the volatility of each type of investment appears to have a different reaction to their determinants, suggesting that investigating effects on the volatility of aggregated flows or a single type of flow may reveal only one side of the story or may lead the outcome to be generalised, which would eventually result in ineffective policy decisions. Therefore, we perform our empirical analysis using two types of capital flows: FDI and cross-border bank inflows.[27] FDI quarterly data are collected from the database of Oxford Economics from Datastream. The data represents inflows by foreign entities in production in the reporting country. As for bank inflows, the data is retrieved from the Bank for International Settlements (BIS) Locational Banking Statistics

[26] Countries included in the sample are Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, Norway, Philippines, Poland, Portugal, Romania, Russia, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, United States and Venezuela

[27] The initial idea was to investigate all main types of capital flows, which would also include portfolio inflows. However, it is not included in the analysis as for many countries in the sample, data is not available until after 2000.

database. More specifically, the data reflects the inter-bank claims of loans and deposits only. We use the flow figures which are estimated by the BIS and reflect changes in the reported stocks adjusted by the exchange rate changes. Both data series are expressed as a percentage of GDP, where their volatility is estimated which is described in the following subsection.

3.3.1.2 Measures of capital flow volatility

Over recent years, there has been a growing consensus on choosing the most reliable way to approximate capital flow volatility. The empirical capital flow literature broadly highlights three main approaches; (i) the rolling window standard deviations, (ii) the estimated conditional volatilities produced by a GARCH (1,1) model and (iii) the estimated variance of residuals obtained from an ARIMA (p, d, q) model, with p, d and q referring respectively to the number of autoregressive terms, the order of integration and the order of moving average.

Following the recent literature, this study employs the ARIMA method to obtain the flow volatility estimates. This volatility measure originates from Engle and Rangel (2008) and has been stated to be among the most reliable measure of volatility for macroeconomic data characterised by relatively lower frequency than that of financial data (Broto et al., 2011; Li and Rajan, 2015). Moreover, it is chosen over the other measures for various reasons. The rolling window method approximates the volatility for each country by computing the standard deviation of the capital flows over a rolling window of the data for a specific time period. While, to this date, it appears to be the most commonly used measure in the literature (see, for example, Neumann et al. 2009; Lee et al., 2013; Opperman and Adjasi, 2017), it has been frequently criticised for the way that it is computed. As it is oriented towards a specific window, for e.g. generally the previous period, it has often been proven to be strongly persistent, increasing the probability of non-robust findings as a result of endogeneity and serial correlation problems. Other disadvantages include having to rely on a window length, which implies an inevitable loss of observations at the beginning of the sample and, lastly, the constant weight allocated by the standard deviation to the capital flows often causes the volatility estimates to be smoothed out and thus resulting in an underestimation of the volatility (Broto et al., 2011). These arguments significantly question the reliability of the rolling window measure. As for the approach using the GARCH (1,1) model, apart from the fact that it is the less used method to measure capital flow volatilities, the validity of the estimates generated by the model has also been frequently questioned. The main disadvantage of this method is its high probability to produce convergence errors and the possibility of the ARCH effects not reflected in the residuals, in which case the model would not be valid. Additionally, the GARCH model is known to be a powerful volatility

measure with higher frequency observations such as, daily and weekly, and can be biased with smaller samples. Since the data utilised in this chapter is monthly and of a short sample span, the ARIMA approach appears to be the most robust and appropriate measure of volatility. Hence, in order to obtain the volatility estimates, the following ARIMA (p, d, q) model is formulated for each country *i*:

$$f_{it} = \mu_i + \phi_1 f_{i(t-1)} + \ \dots \ + \phi_p f_{i(t-p)} + \theta_1 e_{i(t-1)} + \dots + \theta_p e_{i(t-q)}\, \nu_{it} \qquad \textit{Eq 3.1}$$

where f_{it} represents FDI inflows (as a percentage of GDP) or bank inflows (as a percentage of GDP). ν_{it} is the error term with *i* referring to a given country and *t* denoting the time dimension. *p* indicates the number of autoregressive (AR) terms and q denotes the number of moving average (MA) terms. For every country, the model is fitted using the automatic ARIMA forecasting procedure which determines the appropriate orders of p, d and q according to the Akaike Information Criterion (AIC). In this way, the best ARIMA model is identified and used to construct the dependent variable. Equation 3.1 is estimated twice for every country with each type of capital flow as the dependent variable. The selected ARIMA model for each country with their respective AR and MA values for each capital flow as the dependent variable can be found in Table A3-2 in Appendix A3. Then, the quarterly variance at time *t* is computed using the average of the absolute value of quarterly residuals, ν_{it}, from time *t*-3 to time *t*; that is, it is computed as follows:

$$\sigma_{it}^2 = \frac{1}{4} \sum_{j=1}^{4} |\nu_{itj}|, \qquad \textit{Eq 3.2}$$

where $j = 1, \dots, 4$ represents each quarter of the year. The approximated variances of each type of capital flows are then extracted and pooled together to form a panel series for FDI and bank flow volatility individually. The volatility estimates during 1995 to 2018 of both FDI and bank flows are illustrated for each country in the sample are illustrated in Figures A3-1 and Figure A3-2 in Appendix A3.

3.3.2 The independent variables

3.3.2.1 Political Risk

The main determinant that we intend to analyse in this study is the political risk. Similar to Chapters 2, we use the data from the International Country Risk Guide (ICRG) provided by the

Political Risk Services Group (PRS) consisting of government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality (see Table A3-1 for their brief description in Appendix A3).[28] The aggregate political risk condition in 2018 for each country in the sample is portrayed in Table A3-3 in Appendix A3. The latter classifies all countries into low, moderate and high-risk bands according to their respective ratings. It can be seen that the majority of countries in the sample appear to fall under the low-risk band, which means that they have relatively strong institutions. The most stable country with the highest rating is Norway while Venezuela appears to be the least stable with the lowest rating.

3.3.2.2 Control Variables

In addition to the political risk indicators, this study follows the literature on capital flow volatility and considers various important determinants found in previous studies as control variables. Following the on-going debate about whether capital flow volatility is influenced by mostly domestic or external factors, also known as push and pull factors, this study incorporates variables to represent both into the model. In addition to such variables, four dummy variables are also included to represent other important factors from the literature. As such, all control variables are described as follows:

Domestic: Following Broto et al. (2011), Li and Rajan (2015) among others, this study employs various domestic factors, firstly, the gross domestic product (GDP) growth as a measure of domestic macroeconomic stability. According to the literature, the effect of GDP on capital flow volatility vary based on the country's development level, thus, expected to be either positive or negative. Secondly, the inflation rate is also included in the model. Based on the literature, both a positive or negative relationship is expected since higher inflation rates can either make capital flows more volatile as a result of bad policies in the economy or can, otherwise, signify that the latter is booming, helping to make capital flows steady. Thirdly, the growth rate of terms of trade is included to represent the economy's relative competitiveness. A higher level of competition in the market promotes the transfer of technology and enhances domestic productivity, having major positive impacts on the economy. Based on this, higher terms of trade are expected to heighten volatility. Fourthly, as a measure of the level of domestic investment, the growth rate of gross fixed capital formation (GFCF) is used. According to the capital formation theory, higher

[28] Additionally, see Chapter 2, Appendix B2 for the full description of these indicators.

capital stock increases a country's economic growth through higher levels of productivity and improved income level. This can generate positive effects on investors and lead to a surge in capital flows. As a result, a positive relationship between GFCF and capital flow volatility is also expected. Lastly, we include the net foreign assets as a percentage of GDP as a measure of the economy's national wealth. Due to the stabilising effects of net foreign assets on the economy, it is expected to reduce capital flow volatility. **Note that all of these four indicators are employed using their growth rates, i.e., the differences of their logs.**

Global: Following the literature highlighting the importance of external determinants of capital flow volatility (see for example Forbes et al., 2012 and Opperman and Adjasi, 2017), this study incorporates into the model a few commonly known US indicators. These include the GDP per capita growth, the central bank policy rate, the VIX volatility index, the S&P commodity price index expressed in the log changes and the US policy uncertainty index constructed by Baker et al. (2016). While these factors have been commonly stated as push factors in the capital flow literature, their effects on volatility are found to be uncertain (Broto et al., 2011). For example, the volatility index, which is a measure of the global risk aversion, can have positive and negative effects on surges and declines of capital flows respectively (Forbes et al., 2012). Commodity prices can also induce both positive and negative effects depending on the type of capital flows and on whether the countries are inclined to be commodity importers or exporters (Pagliari et al., 2017). As such, the effects of these global factors on capital flow volatility are expected to be either positive or negative.

Others: Firstly, a financial crisis dummy is added to capture the effects of the historical global financial crisis on the volatility of FDI and bank flows. This dummy takes the value of 1 from 2008Q1 to 2010Q4, and 0 otherwise. Second, given the importance of the US quantitative easing episodes on capital flows, three dummies representing each episode (QE1, QE2 and QE3) are also incorporated to investigate their effects on capital flow volatility. QE1 takes the value of 1 from 2008Q4 to 2010Q1, 0 otherwise. QE2 takes the value of 1 from 2010Q4 to 2011Q2, 0 otherwise. QE3 takes the value of 1 from 2012Q3 to 2013Q4, 0 otherwise. Third, another dummy is added to account for the role of the exchange rate regime in the volatility of capital flows. We employ the index by Ilzetzki et al. (2019) which refers to the fine exchange rate arrangement of a country with values ranging from 1 to 15, where higher values imply more flexible exchange rate. Lastly, the capital control dummy constructed by Ilzetzki et al. (2019) is taken into consideration as a measure of the financial market openness. It takes the value of 1 when there are capital restrictions, 0 otherwise.

3.4 Model Specification

Following the objectives of this study to examine the institutional and political determinants of FDI and bank flow volatility, an empirical analysis is undertaken using a traditional panel regression framework. Based on previous empirical studies which investigate the determinants of capital flow volatility (Broto et al. (2011) and Pagliari and Hannan (2017), among others), the model is specified as follows:

$$\sigma_{it}^2 = \alpha_i + \beta_1 IQ_{it} + \beta_2 X_{it} + \varepsilon_{it}, \qquad Eq\ 3.3$$

where σ_{it}^2 refers to the estimated volatility measure for each type of capital flows; that is, FDI, denoted as FDIVOL and bank flows, denoted as BFVOL for country i and quarter t. IQ_{it} represents the institutional factors, which, in turn, is the aggregate indicator (PR) and each of the 12 indicators (GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC and BUR). X_{it} is the vector of control variables and consists of all domestic, global and dummy variables mentioned in the previous related section and $\varepsilon_{i,t}$ is the error term. The 12 political indicators are tested individually to obtain their independent effects. Robustness tests are further performed by incorporating the aggregate of the remaining indicators in each model. The model is to be estimated using the panel country fixed-effects methods. This procedure will allow us to establish a clear relationship between the main independent variable of the study, i.e. political risk, and the volatility of each type of capital flows while also allowing for variation between the countries in the sample. To account for the existence of heteroskedasticity and autocorrelation issues associated with volatility modelling, we follow Broto et al. (2011) and employ the Driscoll and Kraay's (1998) covariance matrix estimator when estimating the fixed effects models, where such an estimator corrects for serial correlation and produces heteroskedasticity consistent standard errors which are also robust to cross-sectional or spatial dependence.

3.5 Results and Discussion

3.5.1 Summary statistics

Table 3-1 presents the descriptive statistics for all dependent and independent variables employed in the empirical analysis of this study. With an average volatility of 3.56 for FDI and 6.234 for bank lending, the estimates indicate that bank lending is more volatile than FDI for countries in the sample. Although, by comparing their minimum and maximum values, we find FDI (ranging

from 0.006 to 114.247) to have a larger range than bank lending (0.110 to 81.633). The higher volatility observed with bank investment appears to conform to the common wisdom that FDI is considered to be a relatively more stable in nature and thus less volatile than other capital flow types. Among the domestic variables, the inflation rate is shown with a high kurtosis value of 335.212. Such excess kurtosis could be associated with the rapid increases in the supply of money during the financial crisis, leading to a shock in aggregate demand and inflation. Net foreign asset is also found with relatively large minimum and maximum values. From the sample data, this is due to a few countries having net foreign assets far below or beyond their GDP capacity, such as, Australia, Belgium and Japan amongst others. Among the global indicators, the US economic policy uncertainty index appears to have a high average of 114.639. Its minimum value (52.089) is found in 2006Q4 and its maximum one (235.084) is found with 2011Q3 in the sample, denoting the degree of uncertainty at that time in the US. Additionally, the VIX volatility index is also found with high minimum (10.310) and maximum values (58.890), which is shown in 2008Q4 and 2017Q4 respectively, indicating the degree of market's activity at that time.

In terms of the political risk indicators, the highest average figures are found within external conflict, internal conflict and investment profile, revealing the areas where the economies are relatively more stable. On the other hand, the lowest averages are reflected in corruption and bureaucracy. The latter suggest that countries in the sample are exposed to higher political risk in these areas. Moreover, the aggregate political risk figure ranges from 42 to 97, suggesting that countries in the sample ranges from politically very risky to very stable. This appears to be also reflected in the individual indicators, with all of them having among the lowest minimum and to highest maximum values. Lastly, Table 3-2 presents the correlation matrix of all the potential independent variables included in the main model. The lower degree of correlation among the independent variables suggests that such variables are free from multicollinearity issues and can thus be used altogether in the main model.

Table 3-1: Descriptive statistics

Variables	Observations	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
FDIVOL	3998	3.561	7.026	0.006	114.248	7.144	80.003
BFVOL	3827	6.235	9.109	0.110	81.633	3.545	19.118
GDPG	4085	0.012	0.068	-0.725	0.611	-1.385	15.824
INFL	4085	0.015	0.061	-0.040	1.580	16.355	335.212
TOT	4085	0.001	0.056	-0.931	0.785	-1.710	65.544
GCFG	4081	0.022	0.106	-2.186	3.178	5.520	270.845
NFAGDP	4085	0.730	15.817	-259.320	193.221	-0.639	41.146
USRATE	4085	-0.038	0.437	-2.000	0.500	-2.468	10.662
USGDPG	4085	0.855	0.641	-2.069	2.154	-1.398	7.449
USPOL	4128	114.639	38.087	52.089	235.084	0.608	2.803
USCOM	4085	0.001	0.112	-0.595	0.193	-1.802	9.841
USVIX	4128	19.795	7.526	10.310	58.890	1.960	9.712
CRISIS	4128	0.125	0.331	0	1	2.268	6.143
QE1	4128	0.063	0.242	0	1	3.615	14.067
QE2	4128	0.031	0.174	0	1	5.388	30.032
QE3	4128	0.063	0.242	0	1	3.615	14.067
ER	3696	7.566	4.747	1	15	-0.280	1.459
CAPCON	3696	0.040	0.195	0	1	4.710	23.184
GOVST	4128	8.055	1.673	3.5	12	0.022	2.274
SOCIO	4128	7.347	2.026	0	11	-0.385	2.533
INVEST	4128	9.314	2.219	2.5	12	-0.548	2.508
INCON	4128	9.962	1.509	3.3	12	-0.678	3.450
EXCON	4128	10.354	1.259	4.8	12	-0.743	3.292
CORR	4128	3.546	1.307	1	9	0.141	2.046
MILIT	4128	4.926	1.304	0.5	6	-1.291	4.230
RELIG	4128	5.063	1.117	1	6	-1.586	5.503
LAW	4128	4.532	1.292	1	6	-0.721	2.657
ETHNIC	4128	4.384	1.172	1	6	-0.314	2.253
DEMOC	4128	5.148	1.198	1	6	-1.658	5.148
BUR	4128	3.090	0.901	1	4	-0.719	2.659
PR	4128	75.722	10.671	42	97	-0.655	2.870

Notes: FDIVOL and BFVOL are respectively the volatility estimates of FDI inflows and bank inflows. GDPG, INFL, TOT and GCFG denotes the growth of gross domestic product, inflation rate, terms of trade growth and gross fixed capital formation growth respectively. NFAGDP is the net foreign assets as a percentage of GDP. USRATE, USGDPG, USPOL, USCOM and USVIX are the US central bank policy rate, GDP per capita growth rate, policy uncertainty, commodity price and volatility VIX respectively. CRISIS, QE (QE1, QE2, QE3), ER and CAPCON are the financial crisis, quantitative easing episodes, exchange rate regime and capital control dummies respectively. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. PR is the aggregate political risk indicator.

Table 3-2: Correlation Matrix

	GDPG	INFL	TOT	GFCG	NFAGDP	USRATE	USGDPG	USPOL	USCOM	USVIX	GOVST	SOCIO	INVEST	INCON	EXCON	CORR	MILIT	RELIG	LAW	ETHNIC	DEMOC	BUR
GDPG	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
INFL	-0.010	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
TOT	0.018	0.030	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
GFCG	0.041	0.007	0.005	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
NFAGDP	0.042	-0.033	0.050	-0.025	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
USRATE	-0.119	-0.002	-0.063	-0.076	-0.042	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
USGDPG	-0.028	-0.005	-0.032	-0.017	0.002	0.282	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
USPOL	0.071	0.028	0.045	0.052	0.024	-0.587	-0.442	1		.	.	.	.	.	.	.	.	.	.	.	.	.
USCOM	0.028	-0.021	0.086	-0.013	-0.009	-0.096	-0.048	-0.140	1	.	.	.	.	.	.	.	.	.	.	.	.	.
USVIX	-0.039	-0.003	0.009	-0.031	-0.035	-0.066	-0.534	0.427	-0.054	1		.	.	.	.	.	.	.	.	.	.	.
GOVST	0.027	-0.027	-0.031	-0.064	0.175	0.341	0.120	-0.174	-0.036	0.257	1	.	.	.	.	.	.	.	.	.	.	.
SOCIO	0.176	-0.035	-0.127	-0.047	0.423	-0.140	-0.044	0.081	0.111	-0.042	0.092	1		.	.	.	.	.	.	.	.	.
INVEST	0.141	-0.046	-0.254	-0.061	0.235	-0.252	-0.088	0.131	0.298	0.089	0.114	0.603	1	.	.	.	.	.	.	.	.	.
INCON	-0.031	-0.027	-0.111	-0.117	0.234	0.275	0.064	-0.182	-0.054	0.033	0.175	0.435	0.269	1	.	.	.	.	.	.	.	.
EXCON	-0.247	-0.040	-0.208	-0.091	-0.029	0.237	0.073	-0.130	-0.141	0.020	0.037	0.083	0.066	0.501	1	.	.	.	.	.	.	.
CORR	0.051	-0.041	-0.237	-0.039	0.236	0.136	0.027	-0.065	-0.119	-0.022	0.102	0.558	0.371	0.519	0.352	1	.	.	.	.	.	.
MILIT	-0.068	-0.072	-0.293	-0.219	0.096	0.040	0.005	-0.027	0.002	0.009	0.015	0.495	0.493	0.604	0.447	0.617	1	.	.	.	.	.
RELIG	0.054	-0.020	-0.095	-0.367	0.053	0.148	0.055	-0.088	-0.076	0.007	0.073	0.315	0.208	0.461	0.145	0.385	0.434	1	.	.	.	.
LAW	0.075	-0.058	-0.212	-0.142	0.233	0.188	0.042	-0.121	-0.057	0.000	0.118	0.606	0.388	0.586	0.315	0.746	0.650	0.384	1	.	.	.
ETHNIC	0.004	0.011	0.056	-0.167	0.135	0.169	0.045	-0.098	-0.093	0.003	0.068	0.215	0.103	0.439	0.186	0.274	0.266	0.466	0.341	1	.	.
DEMOC	-0.015	-0.047	-0.174	-0.070	-0.226	-0.040	-0.018	-0.007	0.093	-0.003	-0.212	0.248	0.373	0.287	0.251	0.443	0.565	0.209	0.382	0.080	1	.
BUR	0.151	-0.049	-0.260	-0.094	0.299	0.039	0.012	-0.020	-0.022	0.005	0.059	0.663	0.501	0.477	0.288	0.746	0.646	0.294	0.708	0.303	0.466	1

Notes: GDPG, INFL, TOT and GCFG denotes the growth of gross domestic product, inflation rate, terms of trade growth and gross fixed capital formation growth respectively. NFAGDP is the net foreign assets as a percentage of GDP. USRATE, USGDPG, USPOL, USCOM and USVIX are the US central bank policy rate, US GDP per capita growth rate, US policy uncertainty, US commodity price and US VIX volatility respectively. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality.

3.5.2 FDI Inflows

This subsection provides a discussion of all empirical findings related to the volatility of FDI inflows. The political risk effects and those of control variables are discussed separately. The full estimated regression results with each political risk indicator are reported in Table 3-3. The last column of the table presents the regression results using the composite political risk indicator.

3.5.2.1 Political risk

Prior to discussing the effect of each indicator separately, we take a closer look at the effect of the aggregate political risk indicator on FDI volatility. Table 3-3 reports a negative coefficient at the 5% significance level, suggesting that higher institutional quality, also reflecting low political risk, leads to a decrease in volatility by approximately 7.1%. Based on the aggregate indicator, our results provide evidence to corroborate the premise of both Alfaro et al. (2007) and Buchanan et al. (2012) who state that volatility can be stabilised with the adoption of good institutional reforms. Such outcome appears to be reasonable since strong institutional stability is reflected through the government and the environment within which investors operate. This is likely to generate positive effects on FDI investors, encouraging them to continuously pursue their investment. Consequently, the latter is less likely to fluctuate or be withdrawn, resulting in FDI to be more steady than volatile. This finding is also in line with most studies which highlight that stable institutions are required to attract more stable type of capital flows (Claessens and Ghosh, 2013; Moreno et al., 2016).

While the aggregate measure provides a broad idea of the relationship between FDI volatility and institutions, looking further at the political risk indicators individually provides further insights into this dynamic. Table 3-3 shows that out of the 12 indicators, only 5 of them have a significant effect on FDI volatility. Among them, it can be seen that 4 of them have the same sign as the aggregate measure, i.e., they are inversely associated with the dependent variable, while there is one indicator which shows the opposite sign. In summary, the estimated results demonstrate that government stability, internal conflict, religious tensions and ethnic tensions all have a negative and significant effect on the volatility of FDI inflows. Similar to the composite measure, this implies that with low political risk, through higher government stability, controlled internal conflicts, religious and ethnic tensions, the volatility of FDI tends to decline. This outcome also suggests that high political risk reflected through these factors leads to higher volatility.

Table 3-3: FDI regression results

Dependent Variable: FDIVOL

Variables	(GOVST)	(SOCIO)	(INVEST)	(INCON)	(EXCON)	(CORR)	(MILIT)	(RELIG)	(LAW)	(ETHNIC)	(DEMOC)	(BUR)	(PR)
GDPG	-1.404	-1.635	-1.929	-1.395	-1.692	-1.751	-1.717	-1.903	-1.715	-1.929	-1.635	-1.691	-1.264
	(1.746)	(1.652)	(1.633)	(1.637)	(1.720)	(1.743)	(1.738)	(1.719)	(1.729)	(1.683)	(1.746)	(1.732)	(1.657)
INFL	-0.120	-0.193	0.106	0.264	0.052	0.125	-0.022	-0.461	-0.000	-0.050	-0.404	0.076	-0.240
	(1.395)	(1.700)	(1.491)	(1.457)	(1.482)	(1.501)	(1.397)	(1.593)	(1.432)	(1.403)	(1.620)	(1.407)	(1.528)
TOT	0.179	0.181	0.247	0.041	0.208	0.203	0.192	0.279	0.204	0.279	0.231	0.212	0.135
	(0.404)	(0.395)	(0.402)	(0.405)	(0.413)	(0.419)	(0.421)	(0.426)	(0.422)	(0.400)	(0.429)	(0.415)	(0.396)
GCFG	0.246	0.274	0.304	0.336	0.298	0.294	0.304	0.217	0.282	0.293	0.377	0.245	0.239
	(0.783)	(0.785)	(0.795)	(0.777)	(0.789)	(0.806)	(0.802)	(0.779)	(0.801)	(0.773)	(0.784)	(0.796)	(0.790)
NFAGDP	0.009	0.008	0.010	0.008	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.009	0.007
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
USRATE	-0.449	-0.443	-0.439	-0.532*	-0.449	-0.445	-0.422	-0.469	-0.441	-0.489*	-0.409	-0.446	-0.499
	(0.322)	(0.302)	(0.295)	(0.275)	(0.300)	(0.299)	(0.306)	(0.289)	(0.302)	(0.292)	(0.295)	(0.303)	(0.303)
USGDPG	-0.550***	-0.619***	-0.597***	-0.549***	-0.598***	-0.602***	-0.614***	-0.549***	-0.605***	-0.567***	-0.627***	-0.604***	-0.564***
	(0.186)	(0.204)	(0.200)	(0.187)	(0.210)	(0.216)	(0.212)	(0.207)	(0.210)	(0.202)	(0.208)	(0.208)	(0.205)
USPOL	0.001	0.003	0.003	0.000	0.003	0.003	0.003	0.001	0.003	0.001	0.003	0.003	0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)	(0.004)	(0.005)	(0.005)	(0.004)	(0.004)	(0.004)	(0.004)
USCOM	2.097*	1.988*	2.026*	2.153**	1.997*	1.981*	1.969*	2.095*	2.000*	2.148**	1.871*	2.036*	2.068*
	(1.129)	(1.117)	(1.106)	(0.955)	(1.088)	(1.099)	(1.127)	(1.078)	(1.107)	(1.067)	(1.107)	(1.124)	(1.060)
USVIX	-0.018	-0.039	-0.034	-0.023	-0.034	-0.035	-0.038	-0.025	-0.035	-0.024	-0.041	-0.035	-0.024
	(0.027)	(0.031)	(0.031)	(0.027)	(0.031)	(0.033)	(0.032)	(0.034)	(0.032)	(0.032)	(0.030)	(0.031)	(0.031)
CRISIS	-0.202	-0.124	-0.184	-0.207	-0.161	-0.149	-0.143	-0.239	-0.146	-0.252	-0.017	-0.161	-0.148
	(0.415)	(0.425)	(0.429)	(0.405)	(0.417)	(0.419)	(0.421)	(0.403)	(0.418)	(0.422)	(0.409)	(0.421)	(0.424)
QE1	0.134	0.250	0.230	0.188	0.236	0.238	0.249	0.183	0.237	0.173	0.270	0.237	0.169
	(0.379)	(0.374)	(0.360)	(0.348)	(0.365)	(0.368)	(0.376)	(0.372)	(0.375)	(0.359)	(0.371)	(0.367)	(0.379)
QE2	-0.583**	-0.528*	-0.518*	-0.619**	-0.528*	-0.512*	-0.522*	-0.532**	-0.524*	-0.571**	-0.478*	-0.529*	-0.584**
	(0.275)	(0.278)	(0.272)	(0.248)	(0.271)	(0.283)	(0.281)	(0.262)	(0.275)	(0.266)	(0.279)	(0.275)	(0.258)
QE3	-0.417	-0.406	-0.318	-0.433	-0.377	-0.369	-0.377	-0.352	-0.379	-0.341	-0.338	-0.379	-0.480
	(0.364)	(0.369)	(0.340)	(0.322)	(0.366)	(0.387)	(0.376)	(0.359)	(0.371)	(0.361)	(0.368)	(0.367)	(0.326)
ER	-0.061*	-0.052	-0.044	-0.041	-0.047	-0.048	-0.052	-0.029	-0.049	-0.025	-0.047	-0.046	-0.055
	(0.033)	(0.035)	(0.034)	(0.032)	(0.035)	(0.034)	(0.035)	(0.037)	(0.035)	(0.032)	(0.035)	(0.035)	(0.034)
CAPCON	-0.353*	-0.330*	-0.241	-0.353	-0.357*	-0.400*	-0.039	-0.440**	-0.374**	-0.012	-0.838***	-0.313*	-0.665***
	(0.181)	(0.186)	(0.248)	(0.215)	(0.191)	(0.217)	(0.177)	(0.188)	(0.185)	(0.260)	(0.285)	(0.185)	(0.228)
GOVST	-0.146*												
	(0.087)												

(Table 3-3 continued)

Variables	(GOVST)	(SOCIO)	(INVEST)	(INCON)	(EXCON)	(CORR)	(MILIT)	(RELIG)	(LAW)	(ETHNIC)	(DEMOC)	(BUR)	(PR)
SOCIO		-0.055											
		(0.157)											
INVEST			0.063										
			(0.096)										
INCON				-0.385***									
				(0.081)									
EXCON					-0.058								
					(0.079)								
CORR						-0.133							
						(0.259)							
MILIT							0.393***						
							(0.128)						
RELIG								-0.630*					
								(0.362)					
LAW									-0.055				
									(0.120)				
ETHNIC										-0.655***			
										(0.172)			
DEMOC											-0.513		
											(0.355)		
BUR												-0.416	
												(0.322)	
PR													-0.071**
													(0.028)
Constant	6.030***	5.362***	4.273***	8.668***	5.483***	5.379***	2.957***	7.891***	5.160***	7.567***	7.677***	6.159***	10.301***
	(1.054)	(1.473)	(1.059)	(1.093)	(0.830)	(0.761)	(0.606)	(1.756)	(0.711)	(0.844)	(1.890)	(1.202)	(2.190)
Observations	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569

Notes: FDIVOL is the dependent variable and is the volatility of FDI inflows. GDPG, INFL, TOT and GCFG denotes the growth of gross domestic product, inflation rate, terms of trade growth and gross fixed capital formation growth respectively. NFAGDP is the net foreign assets as a percentage of GDP. USRATE, USGDPG, USPOL, USCOM and USVIX are the US central bank policy rate, US GDP per capita growth rate, US policy uncertainty, US commodity price and US VIX volatility respectively. CRISIS, QE (QE1, QE2, QE3), ER and CAPCON are the financial crisis, quantitative easing episodes, exchange rate regime and capital control dummies respectively. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. PR is the aggregate political risk indicator. Standard errors are presented in parentheses and have been corrected for serial correlation and heteroskedasticity using the Driscoll and Kraay (1998) procedure. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

As shown by Table 3-3, the strongest effects are noticeable with religious and ethnic tensions which have the highest coefficients of 63% at the 10% significance level and 65.5% at the 1% significance level respectively. Interestingly, these statistics reveal that religious and ethnic tensions are among the main causes of FDI volatility for countries in the sample, showing the importance of such factors to investors. This is likely to be the case due to the adversities that such tensions can generate in a country. Religious tensions arise from the pressure and domination to impose inappropriate policies through any form of conflicts while ethnic tensions stem from racial, nationality or language differences. Discords arising them often lead to consequences including social or working pressures, disruption in productivity or development or, in more extreme cases, strikes, protests or civil wars, all interfering with the business environment, activities, decisions and, thus, FDI investors too.

Moreover, there are many emerging and advanced countries which have gone through periods of migration and have been exposed to the diversity challenges such as discrimination, racism and various inequalities towards new migrants or minority groups. According to Robinson (2003), income inequality, which can negatively affect the economy and foreign investors, is mainly caused by racial ethnicity in developing countries and by religious ethnicity in developed ones. These challenges over time have led to differences in the financial resources, benefits, support and opportunities available to the society, which is likely to discourage foreign investors for long term engagements if they are not treated fairly. Additionally, there are many developing countries where ethnic inequality is a major persistent issue due to their history. An example is the case of India where such issues are still reflected in their political, employment and educational system. Overall, these points indicate that many countries in the sample are strongly impacted by ethnicity and religion, which ultimately appear to affect how their economy and investment environment operate, supporting the strong association found between these indicators and FDI volatility in this study.

As for internal conflicts and government stability, the results in Table 3-3 shows that when both indicators improve, volatility of FDI drops by 38.5% at the 1% significance level and by 14.6% at the 10% significance level respectively. In terms of internal conflicts, given that this indicator is constructed according to the probability of political violence that could lead to disruptions in governance, it adds to the previous tension indicators, indicating how adversely impactful challenges faced by the economy can be to foreign investors. As such, less conflicts reflect higher stability in the political environment and within the government and is more likely to be more attractive to foreign investors, leading to long-term investment and less fluctuations. In regard to government stability, the findings further confirm that the strength of the government is an

important factor that can affect investors decisions and the duration of the investment. Given that this indicator relates to the degree of legislation reliability and the government's ability to fulfil its mission, it is possible that investors are reluctant to operate in countries with weaker government stability, especially since long-term investment in most countries are usually controlled by national investment agencies which are usually led by the government. On the other hand, having a stronger and reliable government appear to be appealing to investors and can aid to attract FDI investors for longer periods, thus increasing stability of such investment.

In contrast to these findings, which shows that FDI volatility is caused by higher political instability and weak institutions, the estimated results for military in politics provides evidence of the opposite, i.e., volatility can be caused by higher stability and institutional quality. Table 3-3 reports a positive coefficient of 39.3% at the 1% significance level, implying that controlled or lesser participation of military in politics has a high probability of increasing the volatility of FDI inflows. Interestingly, this outcome seems relevant given the implications of military participation in the government. Military takeover or involvement with the government is usually seen as an indication of the latter's inability to manage its tasks or defence successfully in times of threats. While they may indicate a poor profile to foreign businesses, military takeovers pave the way to reduce business risks since they are built upon strict rules and policies to help shield a country from threats, all promoting a safer environment and increased stability. This is more likely to attract more stable investment opportunities, resulting in less volatility and explaining why lower military participation would result in higher volatility and vice versa.

In regard to the remaining seven indicators, consisting of socioeconomic conditions, investment profile, external conflicts, corruption, law and order, bureaucracy quality and democratic accountability, they are all found to have no significant effect on FDI volatility, showing that the latter is caused by very specific factors and that not every aspect of institutional quality can aid to stabilise volatility. The insignificance of these factors further underpins the importance to disaggregate the risk factors if one were to examine this relationship with aims to build appropriate and efficient policies.

3.5.2.2 Controls

The findings of all control variable effects on the volatility of FDI inflows are presented in Table 3-3. Among all the domestic, global and dummy variables included, significant effects are identified with two global factors, notably with US GDP per capita growth and commodity prices, and with two of the dummies, i.e., with the quantitative easing and capital controls. With

negative coefficients at the 1% significance level across all thirteen regressions, the estimated results for the US GDP per capita growth imply that an increase of one unit of GDP per capita growth in the US leads to lower FDI volatility by an average of 60%. This outcome is consistent with the literature and the common premise that increases in external GDP indicates a higher stability in the global financial system, resulting in less volatile movement of capital flows (Pagliari et al., 2017). In regard to the effects of commodity prices, the estimation results from all regressions display positive effects, suggesting that FDI volatility intensifies as commodity prices rise. As Pagliari et al. (2017) point out, such positive association is due to countries being inclined to commodity importers. As for the dummy variables, negative coefficients are found across all regressions for both the second episode of quantitative easing and capital controls. The estimation results imply that the implementation of the second episode of quantitative easing and the presence of capital controls aid to lower the volatility of FDI. The outcome for capital controls is consistent with that of Neumann et al. (2009) who find that capital liberalisation leads to increased FDI volatility. Regarding the domestic variables, no significant effects are found. This outcome follows the capital flow volatility literature which suggest that the causes of FDI volatility tend to be inclined towards global factors, where domestic factors have a limited role to play (Forbes and Warnock, 2012; Opperman and Adjasi, 2017; Broto et al., 2011). It further shows that for FDI volatility, when institutional quality is being considered, the impacts of domestic macroeconomic factors weaken significantly, to the point of having no effect. This highlights the importance of country characteristics as opposed to economic fundamentals for FDI flows similar to Broner and Rigobon (2004), possibly given that strong institutions are largely associated with better administration and regulated practises including protection of rights, which is likely to be more relevant to FDI investors.

3.5.3 Bank Inflows

In this subsection, all bank flows findings are discussed. The estimation results showing the effects of all the independent variables on the volatility of bank inflows are shown in Table 3-4. Similar to FDI, the results discussion for the political risk effects and control variables effects are reported separately.

3.5.3.1 Political Risk

At first look at Table 3-4, the estimation results of bank inflow volatility appear to validate the link found between political risk and FDI volatility. This can be firstly seen with the aggregate political risk indicator. Effectively, the latter, as shown in the last column of Table 3-4, indicate

a negative coefficient at the 5% significance level. This finding suggests that the volatility of bank inflows is reduced by 8.2% when the quality of institutions improves or when political risk is low.

Table 3-4: Bank flows regression results

Dependent Variable: BFVOL

Variables	(GOVST)	(SOCIO)	(INVEST)	(INCON)	(EXCON)	(CORR)	(MILIT)	(RELIG)	(LAW)	(ETHNIC)	(DEMOC)	(BUR)	(PR)
GDPG	-0.540	-0.881	-1.156	-0.732	-0.756	-1.199	-0.990	-0.875	-0.777	-1.170	-0.916	-0.935	-0.413
	(2.481)	(2.551)	(2.347)	(2.573)	(2.563)	(2.450)	(2.568)	(2.527)	(2.539)	(2.427)	(2.584)	(2.545)	(2.582)
INFL	5.531***	5.302**	5.662***	5.600***	6.320***	6.196***	5.600***	5.685***	5.373***	5.633***	5.429***	5.534***	5.143***
	(1.693)	(2.090)	(1.723)	(1.674)	(1.670)	(1.626)	(1.736)	(1.840)	(1.678)	(1.666)	(1.693)	(1.690)	(1.692)
TOT	-0.343	-0.329	-0.255	-0.389	-0.174	-0.245	-0.323	-0.362	-0.486	-0.194	-0.321	-0.313	-0.376
	(0.698)	(0.753)	(0.729)	(0.754)	(0.762)	(0.729)	(0.772)	(0.760)	(0.772)	(0.723)	(0.763)	(0.751)	(0.741)
GCFG	-4.074***	-3.965***	-3.946***	-3.967***	-3.962***	-3.735***	-3.930***	-3.901***	-3.863***	-4.090***	-3.943***	-3.951***	-4.039***
	(1.108)	(1.095)	(1.127)	(1.109)	(1.156)	(1.104)	(1.109)	(1.059)	(1.071)	(1.127)	(1.111)	(1.094)	(1.092)
NFAGDP	0.026	0.025	0.026	0.025	0.026	0.026	0.025	0.026	0.025	0.026	0.026	0.026	0.024
	(0.018)	(0.017)	(0.017)	(0.018)	(0.017)	(0.017)	(0.018)	(0.018)	(0.018)	(0.017)	(0.018)	(0.018)	(0.018)
USRATE	-0.267	-0.225	-0.194	-0.232	-0.267	-0.190	-0.202	-0.212	-0.220	-0.234	-0.210	-0.224	-0.285
	(0.400)	(0.372)	(0.381)	(0.388)	(0.387)	(0.382)	(0.383)	(0.389)	(0.383)	(0.384)	(0.393)	(0.386)	(0.396)
USGDPG	-0.469	-0.579*	-0.551**	-0.539*	-0.448	-0.516*	-0.575*	-0.592**	-0.616**	-0.492*	-0.571*	-0.555*	-0.516*
	(0.294)	(0.294)	(0.271)	(0.290)	(0.279)	(0.287)	(0.292)	(0.276)	(0.284)	(0.281)	(0.301)	(0.293)	(0.298)
USPOL	-0.014*	-0.010	-0.011	-0.012	-0.013*	-0.013*	-0.010	-0.010	-0.008	-0.014*	-0.011	-0.011	-0.013
	(0.008)	(0.008)	(0.008)	(0.008)	(0.007)	(0.008)	(0.008)	(0.009)	(0.009)	(0.008)	(0.008)	(0.008)	(0.008)
USCOM	1.527	1.246	1.204	1.231	1.076	0.928	1.233	1.226	1.295	1.293	1.217	1.311	1.325
	(1.514)	(1.516)	(1.482)	(1.539)	(1.519)	(1.468)	(1.500)	(1.510)	(1.478)	(1.499)	(1.523)	(1.501)	(1.592)
USVIX	0.099***	0.068*	0.075**	0.078**	0.093**	0.084**	0.068*	0.066*	0.055	0.094***	0.070*	0.075**	0.085**
	(0.034)	(0.035)	(0.033)	(0.036)	(0.035)	(0.036)	(0.036)	(0.036)	(0.038)	(0.033)	(0.036)	(0.037)	(0.039)
CRISIS	1.661**	1.793**	1.742**	1.762**	1.631**	1.780***	1.772**	1.808***	1.776***	1.636**	1.800**	1.741**	1.771**
	(0.681)	(0.694)	(0.667)	(0.689)	(0.681)	(0.660)	(0.677)	(0.672)	(0.671)	(0.681)	(0.702)	(0.679)	(0.691)
QE1	0.849	1.012	0.965	0.957	0.846	0.894	1.016	1.036	1.140	0.826	1.009	0.976	0.914
	(0.711)	(0.760)	(0.754)	(0.749)	(0.731)	(0.727)	(0.762)	(0.782)	(0.802)	(0.727)	(0.757)	(0.749)	(0.757)
QE2	0.726**	0.835**	0.860**	0.812**	0.825**	0.958***	0.840**	0.840**	0.821**	0.798**	0.850**	0.835**	0.772**
	(0.336)	(0.357)	(0.334)	(0.351)	(0.342)	(0.336)	(0.354)	(0.358)	(0.362)	(0.335)	(0.353)	(0.348)	(0.353)
QE3	0.271	0.324	0.439	0.343	0.442	0.488	0.352	0.332	0.276	0.462	0.358	0.363	0.237
	(0.515)	(0.518)	(0.499)	(0.512)	(0.502)	(0.483)	(0.504)	(0.510)	(0.519)	(0.479)	(0.513)	(0.507)	(0.526)
ER	-0.092	-0.074	-0.070	-0.070	-0.066	-0.075	-0.075	-0.079	-0.068	-0.033	-0.071	-0.068	-0.077
	(0.081)	(0.082)	(0.080)	(0.082)	(0.081)	(0.082)	(0.082)	(0.084)	(0.084)	(0.081)	(0.083)	(0.084)	(0.084)
CAPCON	0.313	0.365	0.460	0.367	0.055	-0.161	0.725	0.395	0.933	0.772*	0.267	0.399	-0.028
	(0.394)	(0.380)	(0.408)	(0.382)	(0.449)	(0.458)	(0.592)	(0.423)	(0.659)	(0.392)	(0.508)	(0.387)	(0.477)
GOVST	-0.247***												
	(0.086)												

(Table 3-4 continued)

Variables													
SOCIO		-0.056 (0.237)											
INVEST			0.073 (0.185)										
INCON				-0.166 (0.175)									
EXCON					-0.620*** (0.220)								
CORR						-0.905*** (0.253)							
MILIT							0.501 (0.310)						
RELIG								0.250 (0.424)					
LAW									0.651** (0.300)				
ETHNIC										-1.089*** (0.234)			
DEMOC											-0.103 (0.236)		
BUR												-1.000** (0.461)	
PR													-0.082** (0.037)
Constant	8.807*** (1.694)	7.319*** (1.948)	6.098*** (1.577)	8.436*** (2.208)	12.947*** (2.641)	9.978*** (1.431)	4.388* (2.284)	5.693** (2.724)	3.894* (2.155)	11.149*** (1.849)	7.410*** (1.865)	9.864*** (1.652)	13.075*** (2.991)
Observations	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402

Notes: BFVOL is the dependent variable and is the volatility of bank inflows. GDPG, INFL, TOT and GCFG denotes the growth of gross domestic product, inflation rate, terms of trade growth and gross fixed capital formation growth respectively. NFAGDP is the net foreign assets as a percentage of GDP. USRATE, USGDPG, USPOL, USCOM and USVIX are the US central bank policy rate, US GDP per capita growth rate, US policy uncertainty, US commodity price and US VIX volatility respectively. CRISIS, QE (QE1, QE2, QE3), ER and CAPCON are the financial crisis, quantitative easing episodes, exchange rate regime and capital control dummies respectively. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. PR is the aggregate political risk indicator. Standard errors are presented in parentheses and have been corrected for serial correlation and heteroskedasticity using the Driscoll and Kraay (1998) procedure. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Enhanced institutions tend to reflect higher institutional activities aiming to promote the image of the government and the functions of organisations, which may be appealing to foreign bank lenders and resulting in a stable flow of bank transactions and volumes of foreign loans. Moreover, since bank loans are known to be reversible during times of high political risk, many lenders tend to either not involve with countries or withdraw from investment unless they are guaranteed with political risk insurance, leading to unpredictable movement of capital. As such, when risks are low, bank lenders are more likely to engage consistently in foreign transactions, causing bank loans to be less volatile.

The negative association found between the volatility of bank inflows and the aggregate indicator is further confirmed by the estimated results of most of the individual political risk indicators. Table 3-4 shows that out of the 12 indicators, bank inflow volatility is significantly impacted by 6 indicators, where 5 of them, notably, government stability, external conflicts, corruption, ethnic tensions and bureaucracy quality are all seen with negative coefficients. The remaining indicators are all found to be insignificant. Interestingly, similar to the case of FDI, the strongest effects are noticeable with ethnic tensions, where more control of the latter is found to lower bank volatility by 1.09 at the 1% significance level. The effect of this indicator standing out with both the volatility of FDI and bank lending highlights the weight and persistence of racial and ethnic differences and inequality to foreign investors.

In addition to ethnic tensions, strong effects are also identified with bureaucracy quality and corruption. The estimated results from Table 3-4 show that better bureaucracy quality lead to lower bank flow volatility by 1.00 at the 5% significance level. Bureaucratic strength normally indicates the ability of a country to govern with minimal shocks or changes in policies and to handle political pressure throughout government changes. Such circumstances may appear to be important to bank lenders since the lack of protection during drastic government changes may result in disruption in government services, policymaking and even in the regular operation of banks, ultimately affecting the latter's credibility. Hence, improved bureaucracy quality is more likely to encourage foreign bank lenders to engage with the economy knowing that their transactions will be well managed even in worse scenarios. As for corruption, according to the findings, low risk countries with controlled corruption reduces bank inflow volatility by 0.91, significant at the 1% level. This also means that bank volatility tends to magnify with the presence of corruption within the government. This indicator represents actual or potential corruption within the day-to-day activities of business and investment environment. It is argued that such actions may benefit investors through backing and partiality, for example, it may encourage them to propel their investment while they can have access to greater benefits that they wouldn't usually have in general. However, such actions are also highly disadvantageous since they tend to distort administration procedures and hinder the efficiency of organisations, where foreign investors may be required or simply choose to withdraw or withhold their deal (Howell, 2013). Moreover, the revelation of

corruption within the political system also deters the credibility and strength of the government, leading to fluctuations in bank inflows given its significant importance to foreign bank lenders. This would explain why higher corruption would lead to higher bank volatility.

Further significant effects from Table 3-4 are detected with external conflicts and government stability. In regard to external conflicts, Table 3-4 shows that when they are mitigated, bank lending volatility diminishes by 62%. Given that external conflicts represent violent and non-violent pressures arising from cross-border interactions, it is reasonable that higher conflicts would lead to higher volatility in bank lending since they can instigate disruption in investment operations, distort the allocation of economic resources and in more extreme cases, alter the arrangement of organisations, including banks (Howell, 2013). As for government stability, the estimation results demonstrate that an increase in the latter leads to less volatile bank inflows by 24.7% at the 1% significance level. While government stability reflects the strength and reliability of the political system, which can be appealing to foreign investors, its ability to reduce bank flows volatility can also be justified due to the strong ties between banks and the government. The latter, due to its political power and foundation, can often impose its preferences to prioritise domestic deposits rather than foreign ones (Kleymenova et al., 2016). This, in turn, may limit the exposure of national banks to foreign lenders, resulting in sudden restrictions or interruptions of foreign investment transactions and opportunities. This is more likely to occur when the government is more unstable and looking for support from their domestic financial systems. Hence with higher government stability, banks are globally consistently exposed, encouraging secured influxes from foreign bank lenders, as shown by the results.

While the indicators mentioned so far imply that higher institutional quality lead to lower bank inflow volatility, the estimated results in Table 3-4 provide evidence of one indicator which suggest the opposite. Effectively, it is found that an improvement in law and order leads to increased volatility of bank inflows by 65.1%, significant at the 5% level. Law and order represent the degree of fairness and efficiency of a country's judiciary system. While, in general, it is expected that steady laws with effective sanction mechanisms would aid into attracting foreign investors since they provide a safer and more reliable environment for operations to occur, they are also complex and often rigid in nature. It means that there is less probability of flexibility and adjustment for foreign lenders in challenging times which can result in unpredictable swings of bank lending due to unmet needs.

3.5.3.2 Controls

The estimated results of the link between all control variables and bank inflow volatility are reported in Table 3-4. At first look, we find significant effects among the domestic factors, notably with inflation and gross capital formation growth (GFCF). With positive coefficients across all thirteen regressions, the estimates imply that higher rates of inflation lead to higher bank volatility. This outcome is consistent with the literature and shows that in this case, increases in inflation rate may be as a result of bad policies in the economy, leading to more volatile bank lending. As for GFCF, the estimation results from all regressions display positive coefficients, suggesting that bank flow volatility rises as GFCF growth increases. As expected, the domestic investment can lead to rapid surges in capital flows given the positive effects it has on the economy. In terms of the global determinants, similar to FDI volatility, US GDP per capita growth is found to significantly reduce bank volatility. Additionally, in this case, VIX volatility index is found to be significant with positive coefficients throughout all estimated regressions. This suggests that increases in global risk leads to higher bank flow volatility and is consistent with previous studies (Pagliari et al., 2017). Lastly, in terms of the dummy variables, we find further significant effects with the financial crisis and the quantitative easing dummies. With positive coefficients across all regressions, the estimated results for the financial crisis dummy show that the financial crisis led to higher bank flows volatility. The estimated results of the second episode of quantitative easing also illustrate positive coefficients across all regressions, suggesting that bank flows volatility increases with quantitative easing. Taken together, we find bank lending volatility to be affected by both domestic and global factors, as opposed to FDI.

3.5.4 Robustness Tests

To examine the robustness of this study's estimation results, some additional tests are performed. While, initially, the political risk indicators are estimated individually to avoid problems of multicollinearity, following their potential interlinkages, it is often argued whether this method incur problems of omitted variable bias. To account for such arguments, the models are re-estimated with the individual indicators together with an aggregate measure of the remaining 11 indicators in each regression. For example, if the effects of government stability are being estimated, we incorporate the aggregate measure of the remaining 11 indicators (i.e. socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality) in the same estimation. This procedure is performed for FDI and bank flows and the findings are shown in Table A3-4 and A3-5 respectively (See Appendix A3).

The estimated results for FDI volatility from Table A3-4 show that incorporating the aggregate of the remaining indicators does not change the main findings. While the strongest effects are still found with ethnic tensions, the slight changes we notice is that government stability and religious tensions are no longer significant. The aggregate measures are found significant with negative coefficients in most cases where the individual indicator is insignificant, i.e., with socioeconomic conditions, investment profile, external conflicts, corruption, religious tensions, law and order, democratic accountability and bureaucracy quality. Despite such an outcome confirms the relevance of the effects of the composite measure in our initial analysis, it further highlights the importance of testing the indicators separately to uncover the true impact of each factor given their differences in characteristics. As for the volatility of bank inflows, Table A3-5 reveals that the outcome obtained in our initial tests are robust to the inclusion of the aggregate measures. All indicators previously found significant are still found to have the same effect on bank flows volatility. The strongest negative effects are once again observed with ethnic tensions, corruption and bureaucracy quality. The main change that is seen with military in politics, which becomes significant with a positive coefficient of 0.71 at the 10% significance level. In terms of the aggregate measures, similar to the case of FDI, they are all found with negative coefficients and significant in most cases where the individual risk factor has no effect. Interestingly, these findings seem to further highlight the similarity between the way foreign bank lenders and FDI investors are affected, suggesting that the management of institutional quality may pave a way to suitably stabilise capital flow volatility, given that the risk factors do not initiate different responses to foreign investors.

3.6 Conclusion

Following the financial risks and fragility that can be induced through large volatile capital inflows, stabilising capital flows and managing capital flow reversals have become a major objective of policymakers. While the causes of volatile capital flows have commonly been attributed to global and domestic factors, previous studies have been largely silent on the role of political stability and institutional quality. As such, the main purpose of this study was to gain a better understanding of the relationship between various institutional and political factors and the volatility of two types of capital inflows; foreign direct investment and cross-border bank lending. This investigation was performed using quarterly panel data for a sample of 43 advanced and developing economies throughout 1995Q1 to 2018Q4.

The first main finding identified in this study is that the volatility of both FDI and bank lending can be reduced with better managed institutions and lower political risk. While the significant indicators vary slightly between the two capital flow types, the strongest causes of volatility to FDI investors are found

with religious and ethnic tensions. As for bank inflows, foreign investors appear to be the most vulnerable to higher corruption, ethnic tensions and poor bureaucracy quality. Such an outcome suggests that on a broader scale, higher institutional quality and low political risk through these factors can be used as an initiator to stabilise the volatility of capital flows in both cases. As such, institutional quality appears to be an important contributing factor in this line of research, confirming that building resilience through a country's institutions would be an effective way to attract more stable capital flows. The second major point that emerge from the estimates is the significance of ethnic tensions as the leading determinant for the volatility of both capital flow types. This revelation indicates the gravity of the consequences of this indicator, suggesting that there are serious implications for countries facing any form of national, social, racial division, challenges or inequality and providing a new and unambiguous doorway to tackle volatility. Moreover, such a finding may signal the possibility as to why capital flow volatility has been ongoing over time. Not only cultural instabilities are unpredictable and complex to resolve and eradicate, the lack of awareness of their effects on foreign investors might have been the missing point of focus to policymakers when aiming to improve their country's institutional background.

The third main finding from the regression analysis is, interestingly, about the similarities that can be observed between the results of the two types of capital flows. Principally, we find the volatility of both FDI and bank flows to be triggered in the same direction, i.e., institutions in both cases can lower volatility. It is worth to be noted as this outcome is in contrast to many previous studies which focused on the traditionally known domestic and external economic causes of capital flow volatility and from which it was commonly stated that the variation in their effects led to a policy dilemma due to the difficulties in finding collective policies to handle volatility. As such, the similarity of outcome found in this chapter indicates that institutions may be the starting point to opening a common channel for policymaking and building strategies that would control the volatility of each type of capital flows without interferences or likelihood of being consumed into the so-called policy dilemma. Moreover, the two types of capital flows are found to have two triggering factors in common, i.e., ethnic tensions and government stability. Such information further widens the possibility of forming specific policies that can combat collective volatility, which can eventually bridge the policy dilemma gap.

3.7 Policy Implications

The last decade has shown that while cross-border capital flows bring many economic benefits to emerging economies, their volatility remain a huge ongoing challenge for emerging market economies which must be addressed through timely and appropriate policy measures by the institutions concerned. With the

knowledge attained from this chapter's analysis, some policy directions may be retained for serious consideration and concrete actions.

Our study shows that key factors relevant with volatile capital flows are religious and ethnic tensions, corruption and bureaucracy quality. Consequently, the appropriate response from these specific institutions with the right regulatory policies can mitigate the adverse effects of volatile capital flows, and limit the country's financial systems' vulnerabilities, and even make them more resilient.

The strong significance of ethnic tensions also shows the extent to with ethnic diversity and inequality can have an impact on both types of capital flows. Based on this outcome, countries should seek to develop their institutions in a way that allow them to better handle the elements of conflict that arise with diversity and moderate their harmful effects. This could be done through mandatory legal provisions enshrined in the constitution of fragmented societies that allows the protection of rights of individuals from diverse ethnicities and stricter measures taken against actions or procedures that are inclined to ethnic inequality. More importantly, the rights of ethnic minorities must be guaranteed through the constitution of developing economies to ensure equal opportunities to all individuals of the society. This would help to mitigate the latter and generate more benefits of ethnic diversity that would allow the people to work together and combine their skills and experiences that would upgrade their vision and creativity. Such developments would not only limit the adverse effects of ethnic tensions on capital flows, but ultimately would help to attract more stable and higher quality investment opportunities.

In terms of reducing corruption and increasing bureaucracy quality relevant for reduce volatile bank flows, policy makers should aim for more proactive facilitation process rather than redundant complex and time-consuming bureaucratic procedures prone to corruptive practices. They should also seek to strengthen their regulations that promote a highly ethical functioning of banks even during governmental changes. This could include the introduction of reforms or laws that are specific to international bank lenders, providing them with some form of protection or incentive that could encourage them to maintain their investment and hence limit abrupt withdrawals in times of instabilities, leading to lower volatile movement of such financial flows.

Appendix A3

Table A3- 1: Name, description and sources of all variables employed in this study.

Variables	Name	Definitions	Data Source
Foreign Direct Investment (% of GDP)	FDIGDP	Net inflows in the reporting economy from foreign investors measured as the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments (as a percent of GDP)	Datastream
Bank Flows (% of GDP)	BFGDP	Aggregate lending flows to banks in the host country, where flows are estimated changes in the reported stocks and include interbank deposits and loans (as a percent of GDP)	IBL, Bank of International Settlement
FDI Volatility	FDIVOL	Volatility series of FDIGDP estimated using an ARIMA(p, d, q) model for each country in the sample	-
Bank Flow Volatility	BFVOL	Volatility series of BFGDP estimated using an ARIMA(p, d, q) model for each country in the sample	-
Gross Domestic Product growth	GDPG	Growth rate of Gross Domestic Product (GDP) which is defined as a country's total economic activity measured by the amount given to goods and services produced in an economy.	Datastream
Inflation Rate	INFL	Rate of inflation is measured by the change in the consumer price index	Datastream
Terms of Trade	TOT	Terms of trade is the ratio between export price index and import price index	Datastream
Gross Fixed Capital Formation growth	GCFG	Growth rate of gross fixed capital formation which is defined as the value added to the physical assets of the country during a given year, which consist mainly of investment in buildings, plants, machinery and transport equipment, all valued at market prices	Datastream
Net Foreign Assets (% of GDP)	NFAGDP	Net foreign assets are the sum of foreign assets held by monetary authorities and deposit money banks, less their foreign abilities	Datastream
US Central Bank Policy Rate	USRATE	The central bank policy rate is the interest rate used by the central bank to implement or indicate its monetary policy position	
US GDP Per Capita Growth	GDPG	Gross Domestic Product (GDP) per capita growth rate is the GDP divided by midyear population, where GDP is defined as the sum of gross value added by all resident producers in the economy	Datastream
US policy uncertainty index	USPOL	The Economic Policy Uncertainty (EPU) index is based on the frequency of articles coverage in 10 leading newspapers in the US, where the index broadly captures uncertainty decisions, actions, inactions and so on	Baker et al. (2016)
S&P Commodity Price Index	USCOM	The S&P GSCI (Goldman Sachs Commodity Index) total return index in USD is a composite index of the commodity sector returns which represents the lending measure of general commodity price movements- The index is calculated based on weighted global production levels and comprises of the principle commodities futures contracts	Bloomberg

VIX Volatility Index	USVIX	The Chicago Board Options Exchange (CBOE) volatility index measures the market's expectation of future volatility implied by options prices- The index used is the close price and is quoted in percentage points	CBOE Global Markets
Financial Crisis	CRISIS	A dummy to represent the global financial crisis, with 1 given to years 2008, 2009 and 2010, 0 otherwise	-
Quantitative Easing	QE1, QE2, QE3	A set of dummy variables to represent the three episodes of the US quantitative easing programs: QE1 takes the value of 1 from 2008Q4 to 2010Q1, 0 otherwise; QE2 takes the value of 1 from 2010Q4 to 2011Q2, 0 otherwise; QE3 takes the value of 1 from 2012Q3 to 2013Q4, 0 otherwise	-
Exchange Rate Regime	ER	Fine classification of exchange rate arrangement as an indicator for the type of exchange rate regime, with values ranging from 1 to 15 (higher values imply more flexible exchange rates)	Ilzetzki et al. (2019)
Capital Control dummy	CAPCON	A market-based dummy taking the value of 1 if the market has capital controls (dual/multiple/parallel rates), or 0 if the market is unified, i.e. no capital controls	Ilzetzki et al. (2019)
Government Stability	GOVST	The index is composed of government unity, legislative strength and popular support and is based on a weight of 12 points	ICRG, The PRS Group
Socioeconomic Conditions	SOCIO	The index is composed of unemployment, consumer confidence and poverty and is based on a weight of 12 points	ICRG, The PRS Group
Investment Profile	INVEST	The index is composed of contract viability, expropriation, profits repatriation and payment delays and is based on a weight of 12 points	ICRG, The PRS Group
Internal Conflict	INCON	The index is composed of civil wars, coups, terrorism, political violence and civil disorder and is based on a weight of 12 points	ICRG, The PRS Group
External Conflict	EXCON	The index is composed of cross-border conflicts and foreign pressures and is based on a weight of 12 points	ICRG, The PRS Group
Corruption	CORR	The index is based on actual or potential corruption within the political system such as "excessive patronage, nepotism, job reservations 'favor-for-favors', secret party funding, and suspiciously close ties between politics and business"- It is based on a weight of 6 points	ICRG, The PRS Group
Military in Politics	MILIT	The index is based on the degree of military participation in politics and is based on a weight of 6 points	ICRG, The PRS Group
Religious Tensions	RELIG	This index reflects tensions arising from religion groups seeking to overpower and rule society by replacing civil laws by religious laws- It is based on a weight of 6 points	ICRG, The PRS Group
Law and Order	LAW	"Law" is constructed according to the strength and fairness of the legal system and "Order" reflects the degree of compliance to law- The index is based on a weight of 6 points	ICRG, The PRS Group
Ethnic Tensions	ETHNIC	This index represents the level of tensions caused by racial, nationality or language differences in a country- It is based on a weight of 6 points	ICRG, The PRS Group
Democratic Accountability	DEMOC	The index indicates the type of political system preferred in a country ranging from types of democracy to autocracy and is based on a weight of 6 points	ICRG, The PRS Group
Bureaucracy Quality	BUR	The index is on the strength and ability of countries to withstand government changes and is based on a weight of 6 points	ICRG, The PRS Group

Aggregate Political Risk	PR	The sum of all 12 political risk indicators based on a total weight of 100 points	ICRG, The PRS Group

Table A3- 2: Optimal ARIMA model selected to estimate the dependent variable for each country in the sample

Country	FDI	Bank flows	Country	FDI	Bank flows	Country	FDI	Bank flows	Country	FDI	Bank flows	Country	FDI	Bank flows
Argentina	Obs: 96	Obs: 95	**Denmark**	Obs: 96	Obs: 95	**Japan**	Obs: 96	Obs: 95	**Singapore**	Obs: 95	Obs: 96	**UK**	Obs: 96	Obs: 95
	ARMA(1,1)	ARMA(1,6)		ARMA(3,0)	ARMA(2,4)		ARMA(0,3)	ARMA(5,6)		ARMA(0,1)	ARMA(0,4)		ARMA(2,5)	ARMA(5,6)
	AIC: 4.431	AIC: 3.755		AIC: 6.941	AIC: 8.069		AIC: 0.590	AIC: 5.010		AIC: 7.168	AIC: 10.505		AIC: 6.140	AIC: 8.482
Australia	Obs: 95	Obs: 96	**Finland**	Obs: 96	Obs: 96	**Malaysia**	Obs: 96	Obs: 96	**Slovakia**	Obs: 96	Obs: 96	**USA**	Obs: 96	Obs: 95
	ARMA(1,3)	ARMA(4,3)		ARMA(1,1)	ARMA(2,0)		ARMA(2,2)	ARMA(4,2)		ARMA(2,2)	ARMA(1,1)		ARMA(7,1)	ARMA(2,3)
	AIC: 5.452	AIC: 5.375		AIC: 6.659	AIC: 8.294		AIC: 3.937	AIC: 5.999		AIC: 5.842	AIC: 6.885		AIC: 3.044	AIC: 4.684
Austria	Obs: 96	Obs: 95	**France**	Obs: 96	Obs: 96	**Mexico**	Obs: 96	Obs: 96	**South Africa**	Obs: 96	Obs: 96	**Venezuela**	Obs: 96	Obs: 96
	ARMA(1,1)	ARMA(3,4)		ARMA(3,3)	ARMA(2,5)		ARMA(2,2)	ARMA(4,8)		ARMA(1,1)	ARMA(5,8)		ARMA(4,2)	ARMA(6,6)
	AIC: 7.698	AIC: 6.371		AIC: 3.687	AIC: 6.505		AIC: 3.248	AIC: 2.684		AIC: 4.704	AIC: 4.163		AIC: 4.486	AIC : 2.840
Belgium	Obs: 96	Obs: 96	**Germany**	Obs: 96	Obs: 96	**Netherlands**	Obs: 96	Obs: 96	**South Korea**	Obs: 96	Obs: 96			
	ARMA(1,4)	ARMA(4,3)		ARMA(1,0)	ARMA(2,4)		ARMA(3,6)	ARMA(1,1)		ARMA(3,3)	ARMA(4,4)			
	AIC: 10.296	AIC: 8.846		AIC: 5.438	AIC: 6.456		AIC: 9.323	AIC: 8.386		AIC: 1.234	AIC: 5.538			
Brazil	Obs: 96	Obs: 96	**Greece**	Obs: 95	Obs: 96	**Norway**	Obs: 95	Obs: 96	**Spain**	Obs: 96	Obs: 95			
	ARMA(1,1)	ARMA(1,5)		ARMA(0,1)	ARMA(1,1)		ARMA(2,2)	ARMA(1,2)		ARMA(7,2)	ARMA(1,2)			
	AIC: 3.146	AIC: 3.657		AIC: 2.906	AIC: 7.064		AIC: 6.322	AIC: 7.650		AIC: 4.899	AIC: 6.085			
Bulgaria	Obs: 96	Obs: 96	**Hungary**	Obs: 95	Obs: 96	**Philippines**	Obs: 96	Obs: 96	**Sweden**	Obs: 95	Obs: 96			
	AR(3,6)	ARMA(1,1)		ARMA(2,3)	ARMA(3,2)		ARMA(1,1)	ARMA(1,1)		ARMA(4,1)	ARMA(5,4)			
	AIC: 5.677	AIC: 5.782		AIC: 6.597	AIC: 5.807		AIC: 3.249	AIC: 4.851		AIC: 7.228	AIC: 7.217			
Canada	Obs: 96	Obs: 96	**India**	Obs: 95	Obs: 96	**Poland**	Obs: 95	Obs: 96	**Switzerland**	Obs: 96	Obs: 96			
	ARMA(3,2)	ARMA(3,2)		ARMA(2,3)	ARMA(1,0)		ARMA(4,1)	ARMA(1,0)		ARMA(2,3)	ARMA(1,0)			
	AIC: 4.555	AIC: 5.300		AIC: 0.715	AIC: 2.646		AIC: 4.577	AIC: 4.698		AIC: 5.535	AIC: 10.006			
Chile	Obs: 96	Obs: 96	**Indonesia**	Obs: 95	Obs: 96	**Portugal**	Obs: 96	Obs: 96	**Taiwan**	Obs: 96	Obs: 96			
	ARMA (1,1)	ARMA(6,4)		ARMA(0,1)	ARMA(1,0)		ARMA(1,1)	ARMA(1,1)		ARMA(4,4)	ARMA(1,7)			
	AIC: 5.926	AIC: 4.501		AIC: 3.233	AIC: 4.214		AIC: 5.519	AIC: 7.057		AIC: 2.565	AIC: 6.194			
China	Obs: 95	Obs: 96	**Ireland**	Obs: 96	Obs: 96	**Romania**	Obs: 96	Obs: 96	**Thailand**	Obs: 96	Obs: 96			
	AR(2,7)	ARMA(6,6)		ARMA(2,6)	ARMA(1,1)		ARMA(4,4)	ARMA(3,5)		ARMA(1,0)	ARMA(2,2)			
	AIC: 2.308	AIC: 3.602		AIC: 9.704	AIC: 9.557		AIC: 4.612	AIC: 4.242		AIC: 4.336	AIC: 6.117			
Czech Rep.	Obs: 95	Obs: 96	**Italy**	Obs: 96	Obs: 96	**Russia**	Obs: 96	Obs: 96	**Turkey**	Obs: 95	Obs: 96			
	ARMA(1,1)	ARMA(4,2)		ARMA(3,0)	ARMA(4,2)		ARMA(1,1)	ARMA(1,4)		ARMA(3,2)	ARMA(5,4)			
	AIC: 4.120	AIC: 6.259		AIC: 3.479	AIC: 5.788		AIC: 3.675	AIC: 3.924		AIC: 2.736	AIC: 4.327			

Notes: FDI and bank flows represent the dependent variables in each ARIMA equation. ARMA(p,q) represents the optimal AR and MA terms selected by the AIC to compute the volatility estimates. The total number of observations is 96 per equation, and 95 for when the dependent variable is integrated of order 1 (I(1)).

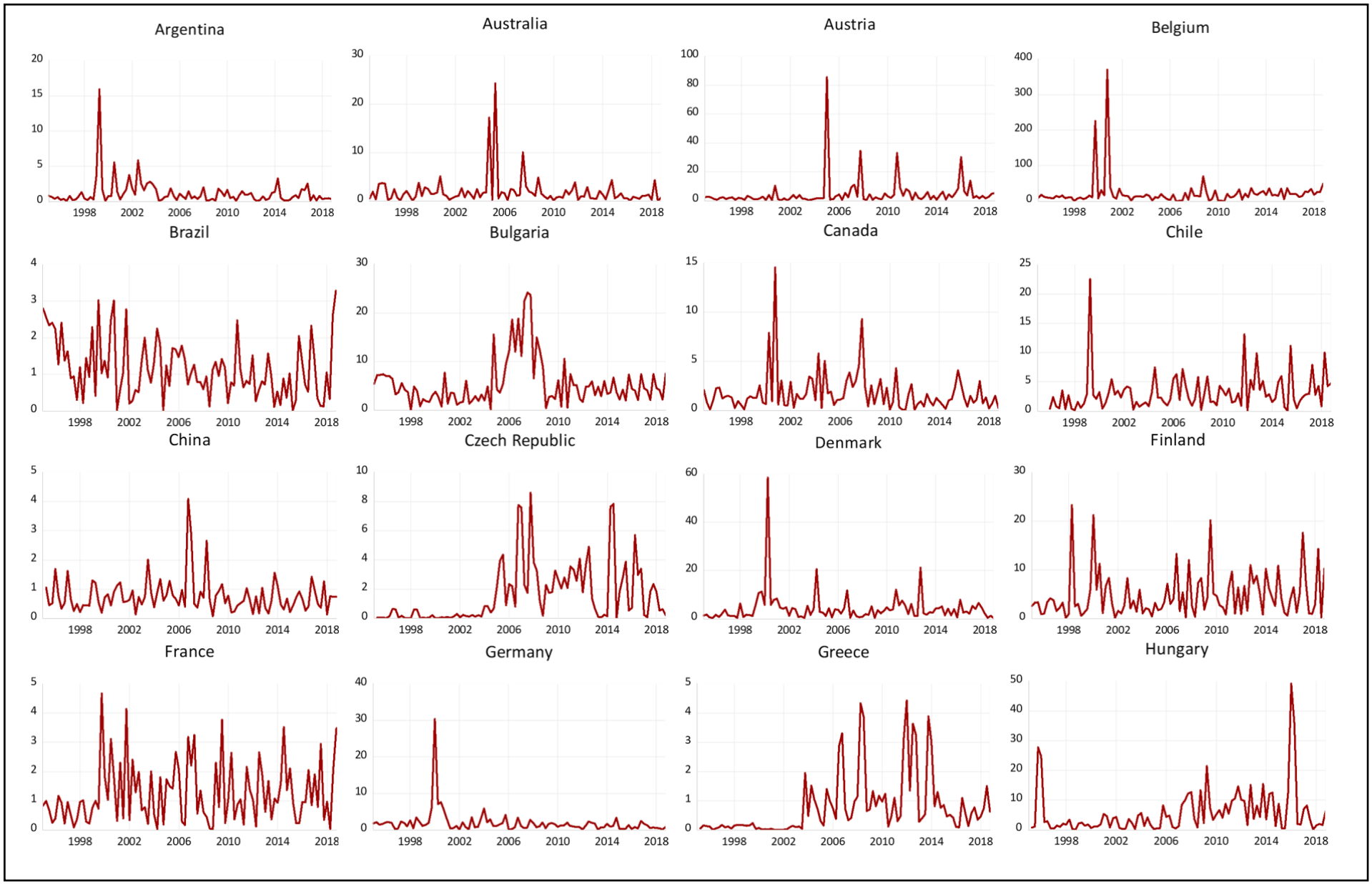

Figure A3-1. 1: The volatility estimates of FDI flows for each country.

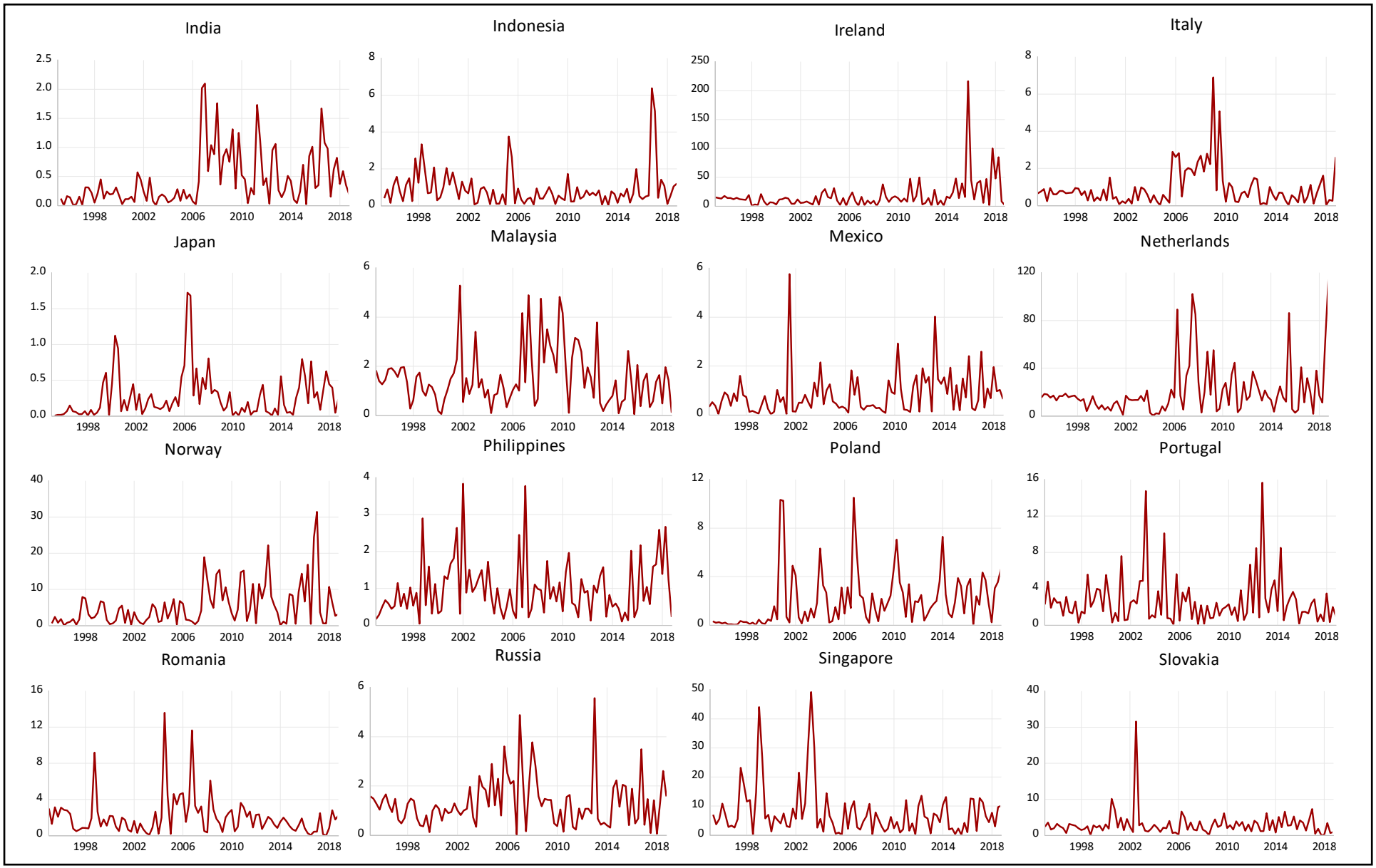

Figure A3-1. 2: (continued): The volatility estimates of FDI flows for each country.

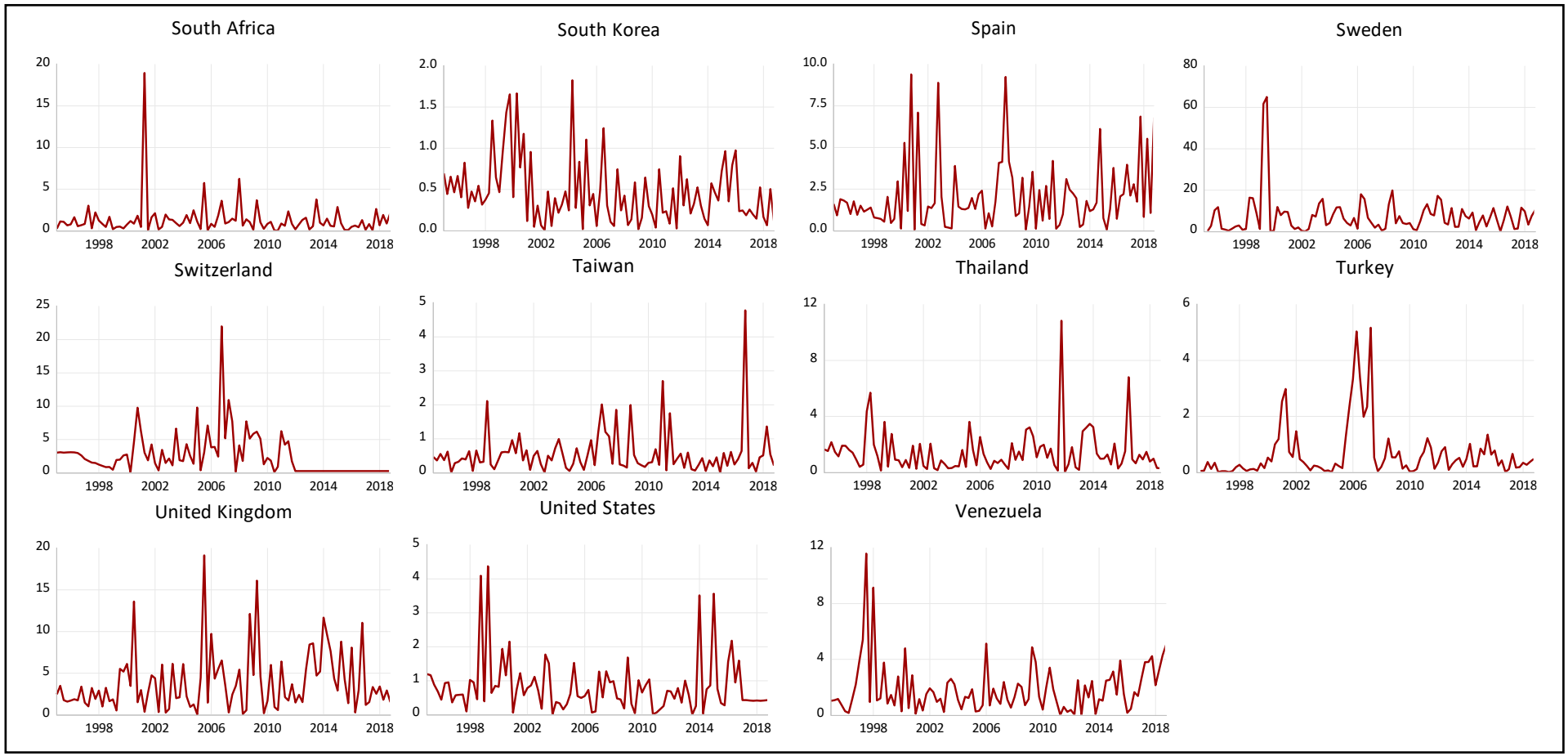

Figure A3-1. 3: (continued): The volatility estimates of FDI flows for each country.

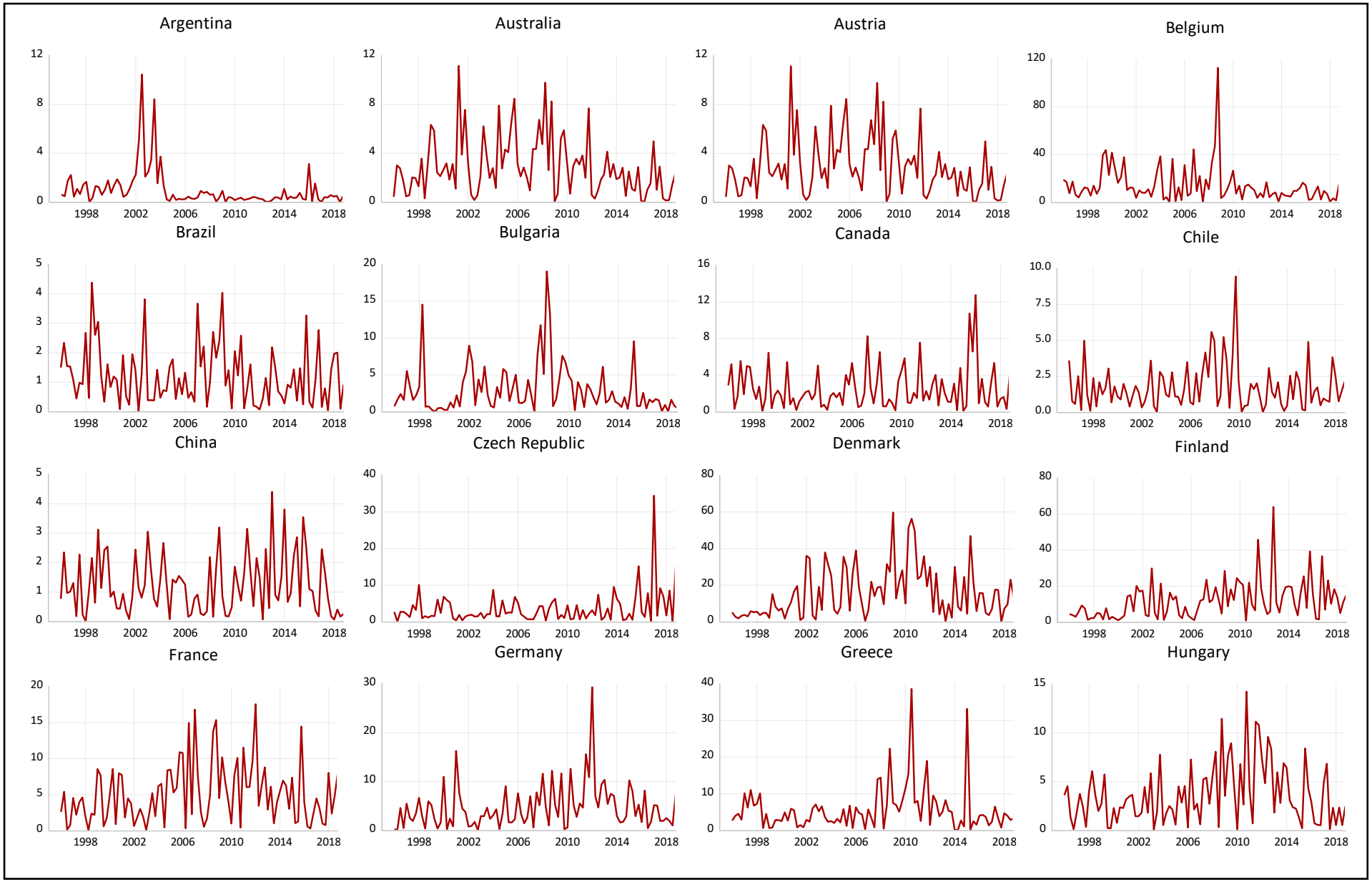

Figure A3-2. 1: The volatility estimates of bank flows for each country.

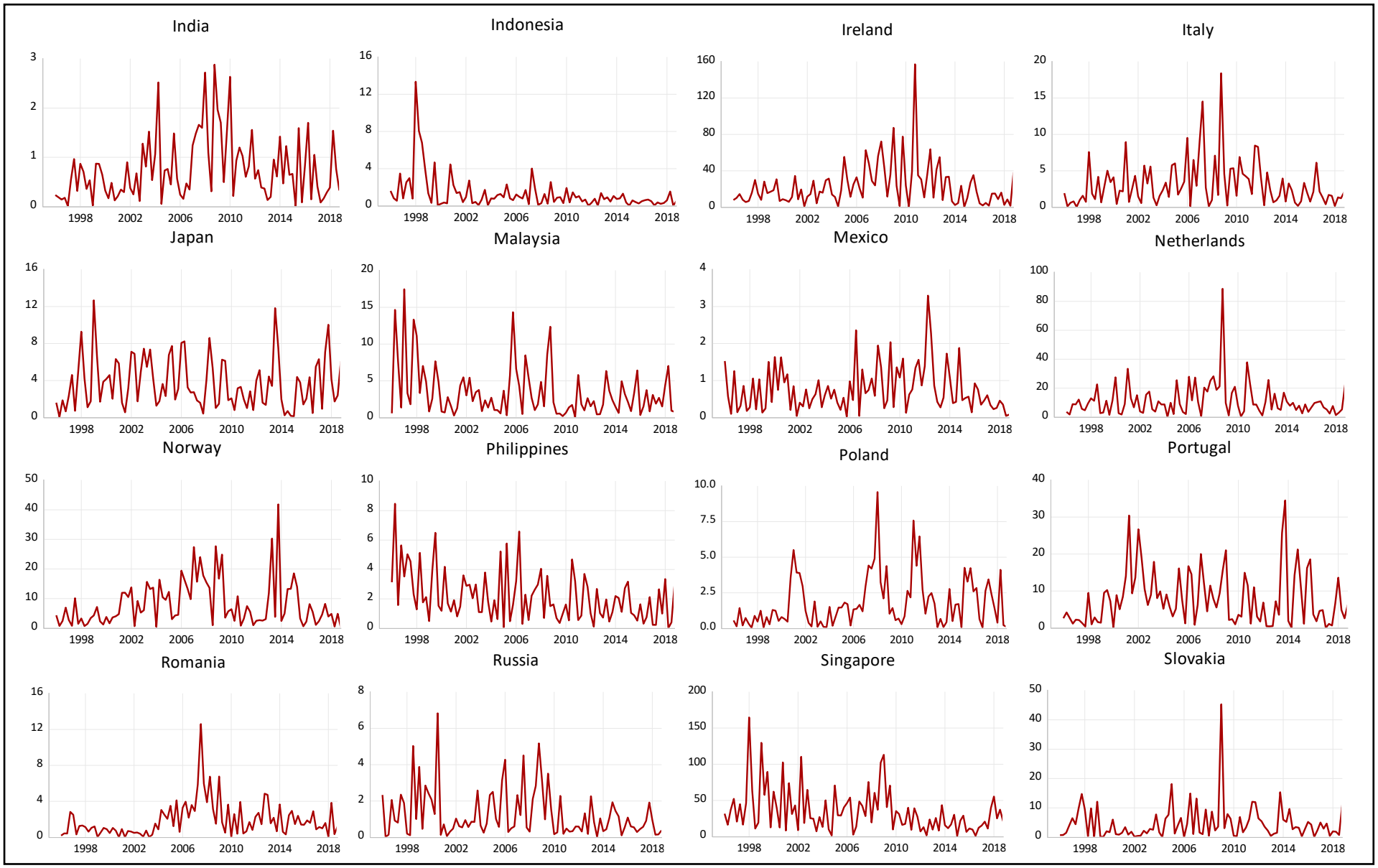

Figure A3-2. 2: (continued): The volatility estimates of bank flows for each country.

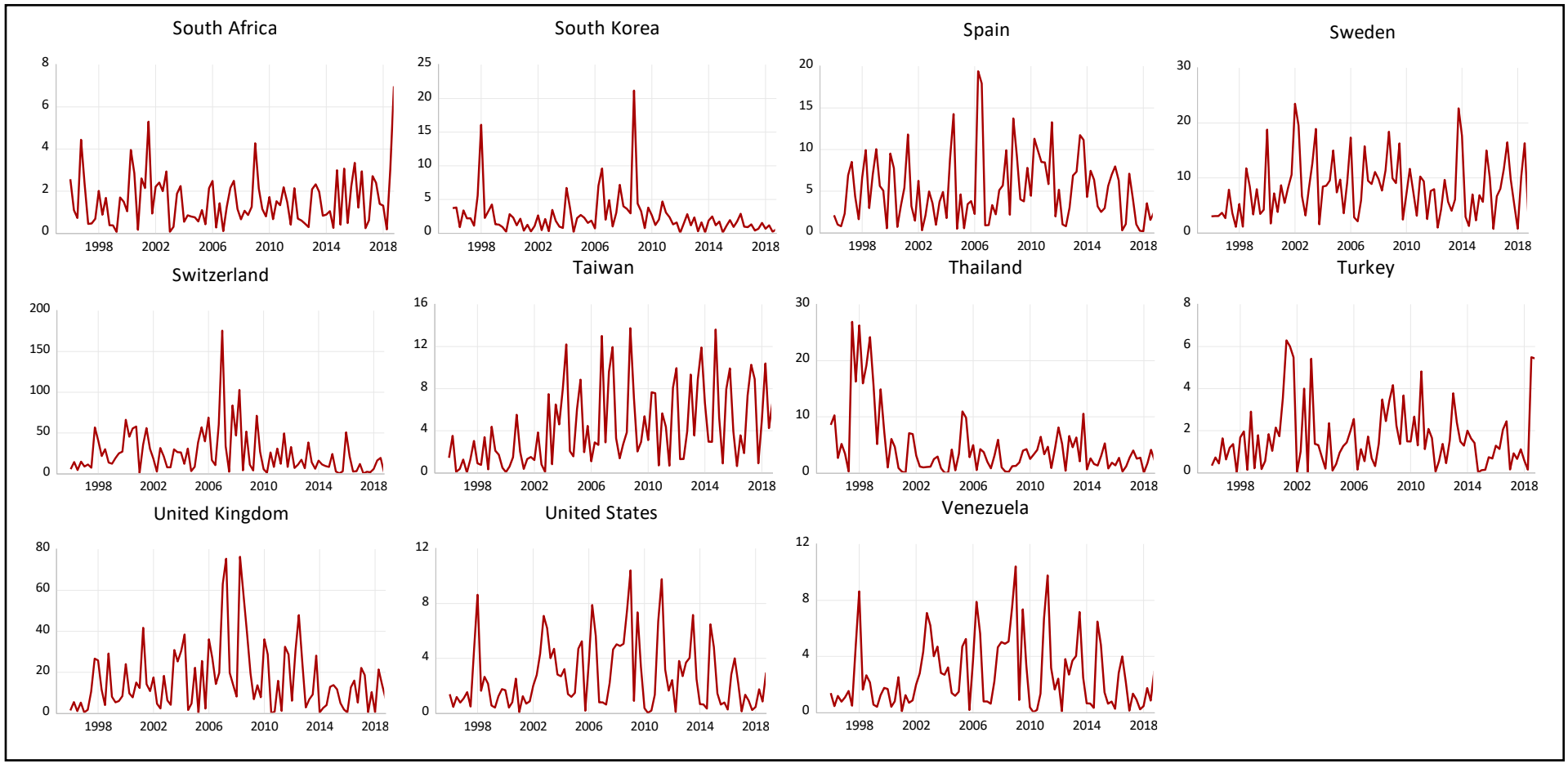

Figure A3-2. 3: (continued): The volatility estimates of bank flows for each country.

Table A3- 3: Aggregate political risk rating in 2018

High Risk Band (0-59)		Moderate Risk Band (60-69)		Low Risk Band (70-100)	
Countries	**Aggregate**	**Countries**	**Aggregate**	**Countries**	**Aggregate**
Venezuela	45.92	Philippines	60.5	Malaysia	71.46
Turkey	51.79	India	61.29	Bulgaria	72.5
Thailand	56.5	Mexico	61.58	France	73.25
Russia	58.63	Indonesia	63.29	Greece	73.75
China	59.5	Brazil	63.5	Slovakia	74
		Argentina	65.6	Spain	74
		Romania	65.75	Chile	74.95
		South Africa	65.85	Poland	76.42
				Italy	76.79
				South Korea	78.54
				Belgium	79.08
				Hungary	79.46
				Czech Republic	79.63
				Portugal	80.17
				Taiwan	80.33
				Denmark	80.67
				UK	81
				Singapore	81.25
				Japan	82.17
				Austria	82.25
				Germany	82.79
				Australia	83.25
				USA	84.63
				Netherlands	84.67
				Sweden	85.38
				Canada	85.42
				Ireland	86.21
				Finland	86.79
				Switzerland	87.58
				Norway	89.08

Table A3- 4: FDI regression results with the inclusion of the aggregate of remaining indicators

Dependent Variable : FDIVOL												
Variables	**(GOVST)**	**(SOCIO)**	**(INVEST)**	**(INCON)**	**(EXCON)**	**(CORR)**	**(MILIT)**	**(RELIG)**	**(LAW)**	**(ETHNIC)**	**(DEMOC)**	**(BUR)**
GOVST	-0.118											
	(0.097)											
AGGGOVST	-0.060											
	(0.043)											
SOCIO		0.013										
		(0.158)										
AGGSOCIO		-0.084***										
		(0.029)										
INVEST			0.070									
			(0.087)									
AGGINVEST			-0.100***									
			(0.024)									
INCON				-0.355***								
				(0.116)								
AGGINCON				-0.023								
				(0.044)								
EXCON					0.010							
					(0.099)							
AGGEXCON					-0.079**							
					(0.035)							
CORR						-0.047						
						(0.262)						
AGGCORR						-0.072***						
						(0.027)						
MILIT							0.554***					
							(0.169)					
AGGMILIT							-0.089***					
							(0.033)					
RELIG								-0.551				
								(0.367)				
AGGRELIG								-0.044*				
								(0.025)				
LAW									0.106			
									(0.126)			
AGGLAW									-0.082***			
									(0.030)			
ETHNIC										-0.574***		
										(0.202)		
AGGETHNIC										-0.048		
										(0.034)		
DEMOC											-0.455	
											(0.363)	
AGGDEMOC											-0.059**	
											(0.028)	
BUR												-0.301
												(0.307)
AGGBUR												-0.069**
												(0.027)
Observations	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569	3,569

Notes: FDIVOL is the dependent variable and is the volatility of FDI inflows. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. AGGGOVST is the total of all political risk factors except government stability. AGGSOCIO is the total of all political risk factors except socioeconomic conditions. AGGINVEST is the total of all political risk factors except investment profile. AGGINCON is the total of all political risk factors except internal conflict. AGGEXCON is the total of all political risk factors except external conflict. AGGCORR is the total of all political risk factors except corruption. AGGMILIT is the total of all political risk factors except military in politics. AGGRELIG is the total of all political risk factors except religious tensions. AGGLAW is the total of all political risk factors except law and order. AGGETHNIC is the total of all political risk factors except ethnic tensions. AGGDEMOC is the total of all political risk factors except democratic accountability. AGGBUR is the total of all political risk factors except bureaucracy quality. Standard errors are presented in parentheses and have been corrected for serial correlation and heteroskedasticity using the Driscoll and Kraay (1998) procedure. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A3- 5: Bank flows regression results with the inclusion of the aggregate of remaining indicators

Dependent Variable : BFVOL												
Variables	**(GOVST)**	**(SOCIO)**	**(INVEST)**	**(INCON)**	**(EXCON)**	**(CORR)**	**(MILIT)**	**(RELIG)**	**(LAW)**	**(ETHNIC)**	**(DEMOC)**	**(BUR)**
GOVST	-0.218**											
	(0.098)											
AGGGOVST	-0.050											
	(0.052)											
SOCIO		0.028										
		(0.240)										
AGGSOCIO		-0.098***										
		(0.033)										
INVEST			0.104									
			(0.176)									
AGGINVEST			-0.120**									
			(0.050)									
INCON				-0.020								
				(0.207)								
AGGINCON				-0.093*								
				(0.052)								
EXCON					-0.590**							
					(0.243)							
AGGEXCON					-0.030							
					(0.051)							
CORR						-0.854***						
						(0.265)						
AGGCORR						-0.038						
						(0.044)						
MILIT							0.712**					
							(0.336)					
AGGMILIT							-0.106**					
							(0.041)					
RELIG								0.459				
								(0.434)				
AGGRELIG								-0.111***				
								(0.039)				
LAW									0.958***			
									(0.330)			
AGGLAW									-0.143***			
									(0.040)			
ETHNIC										-1.013***		
										(0.248)		
AGGETHNIC										-0.040		
										(0.042)		
DEMOC											0.004	
											(0.247)	
AGGDEMOC											-0.085**	
											(0.039)	
BUR												-0.838*
												(0.461)
AGGBUR												-0.077**
												(0.038)
Observations	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402	3,402

Notes: BFVOL is the dependent variable and is the volatility of bank inflows. GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. AGGGOVST is the total of all political risk factors except government stability. AGGSOCIO is the total of all political risk factors except socioeconomic conditions. AGGINVEST is the total of all political risk factors except investment profile. AGGINCON is the total of all political risk factors except internal conflict. AGGEXCON is the total of all political risk factors except external conflict. AGGCORR is the total of all political risk factors except corruption. AGGMILIT is the total of all political risk factors except military in politics. AGGRELIG is the total of all political risk factors except religious tensions. AGGLAW is the total of all political risk factors except law and order. AGGETHNIC is the total of all political risk factors except ethnic tensions. AGGDEMOC is the total of all political risk factors except democratic accountability. AGGBUR is the total of all political risk factors except bureaucracy quality. Standard errors are presented in parentheses and have been corrected for serial correlation and heteroskedasticity using the Driscoll and Kraay (1998) procedure. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively

CHAPTER 4

Institutions and the rise and fall of emerging market currencies

4.1 Introduction

Exchange rate fluctuations are an important driver in shaping the outlook of emerging market economies. A country's exchange rate directly influences the price of domestic goods and services, especially those relative to imported ones, making them one of the most powerful indicators of a country's level of international trade, economic performance and financial competitiveness. Following the breakdown of the Bretton-Woods system, various exchange rate arrangements have been adopted by emerging market economies based on their economic policies and priorities, exposing their currencies to changes in response to several global and domestic conditions. With the backdrop of unprecedented economic shocks and historical meltdowns in such economies, their currency markets have become increasingly complex and unpredictable, raising a number of concerns about their future prospects (IMF, 2019).

In recent years, emerging market economies have not only suffered from several currency crises but have commonly been associated to ongoing upheavals in their currency markets as a result of severe pressures and policies put in place by advanced economies following the tightening of global financial conditions and domestic macroeconomic imbalances. In 2018, the largest emerging market economies registered a marked depreciation of their currencies of around 8% against the US dollar, facing consequential higher inflation, slower growth, rapid capital flight and increased financial market volatility (IMF, 2019). The currencies that have suffered the most were the Argentine peso and Turkish lira which dropped by record levels of 40 to 50%, on average. Other emerging market economies, including Brazil, India, Indonesia, Pakistan, Russia and South Africa, have also endured unfavourable consequences on their currencies, although to a lesser extent than Argentina and Turkey, with a depreciation of 3 to 10%, on average. With the recent devastating impact of the COVID-19 pandemic on the economies of developed and developing countries around the world, the currencies of most emerging markets have weakened sharply throughout 2020 with disastrous repercussions on their economies. The major concerns with such substantial depreciations are that they tend to intensify their financial vulnerabilities, considerably increasing the servicing of foreign debts,

contributing to credit default risks, causing unanticipated swings in investor sentiment and economic development (World Bank, 2019).

The majority of the in-depth studies undertaken during the past few decades by various international institutions and experts on the behaviour of the domestic currencies of developing and emerging market economies is largely based on the role of traditional macroeconomic fundamentals. It has been conclusively shown that the main determinants of the exchange rates of these currencies are associated to factors, such as the GDP growth, the status of the balance of payments and the level of public debt, interest rates and macroeconomic and monetary policies (see for example, Ricci et al., 2013 and Bouakez and Eyquem, 2015). Relatively little attention has been devoted to other important characteristics that play an equally crucial role, if not a more critical role in the determination and evolution of emerging market currencies, especially those related to political issues, such as political instability or political intervention and interference in the form of taking important policy decisions, the management of key public institutions, the quality of nominees heading these institutions, and the composition of their respective Board of Directors. Moreover, exchange rate policies are said to be entirely created from an intricate decision-making process based on the government's "structures, motives and pressures", making their institutional and political background a crucial platform to determine their behaviour (Frieden, 2016).

In fact, a politically stable regime with institutions managed with high standards of integrity and good governance practices, where policy decisions are taken in the best interests of the country, are vital factors which influence the determination of the rate of exchange of the domestic currency of an economy. Examples include cases of Singapore and New Zealand, which have seen their currencies appreciating over the years with political stability and strong institutions managed with high degree of professionalism. Other countries like Australia, South Korea, Taiwan and China have shown similar performances because of their track record of being mature economies with political stability, high standards of governance and integrity in their relevant concerned institutions. But unfortunately, most developing and emerging market economies have had a track record of the opposite practices often marked by political instabilities, with a high degree of political interference in the day to day management of their institutions including poor quality of persons leading these institutions, lack of good principles and practices where decisions are often taken based on irrational factors or motivated by vested interests with consequences already on record in several countries, impacting on the majority of their population. One of the most striking examples is that of Turkey, whose currency has

seen one of the sharpest declines of local currencies in the recent years which, according to financial analysts, has not yet bottomed out despite the major intervention of the Central Bank of Turkey. It is believed that the main reason behind this dramatic state is due to the political uncertainty and the systematic government interference in the management of their institutions. Since 2016, presidential intervention has gradually taken over to the point where the central bank has needed to consider the president's policies and not function as independently as it had been in the past. Apart from such poor central bank independence, the lack of transparency in government decision making with rising concerns about its commitment to rule of law and high political risks have resulted in a trust crisis among foreign investors, all stated reasons for the alarming plummeting of the Turkish lira.

On one hand, such political instability arising from the systematic interference in the operation of institutions increases uncertainty among money holders leading to higher currency risks and tensions in the currency market. This tends to jeopardise investors' confidence, initiating sudden swings in capital flows, and consequently affecting the economy's productivity, economic and market performance (Dabrowski, 2002). On the other hand, the risk and uncertainty associated with weak institutions tend to be conducive to misallocations of resources, indicating poor economic health and feeding into the conditions that encourage currency crises. Institutions further ensure that market mechanisms run effectively by reducing informational asymmetries such that they can shape market expectations through their ability to control information, determining the degree of market uncertainty and the possibility of currency crises (Li and Inclan, 2001). Such associations indicate that controlling institutional settings can contribute to the management of pressures in currency markets and potentially alleviate the large depreciations faced by emerging market economies. Historically, those economists that favour the free market have considered regulation to lead to second or third best solutions the consequences of which is dead weight loss and further inefficiency. The same conclusions have arisen in a microeconomic context when a game theoretic treatment of informational asymmetry has been considered related to price regulation in markets. Here it is intended to consider the empirical evidence at the level of the market.

Based on this background, the present chapter seeks to contribute to the exchange rate determination literature along two dimensions. First, it aims to contribute to the political context of the exchange rate literature by providing a well-defined and comprehensive analysis of the effects of a broader range of political risk and institutional indicators considering the movement of 25 emerging market economies' currencies over the period of 1995 to 2018.

While there are many studies based on the political determinants of exchange rate regime choice, to this date, there remains a paucity of evidence of the political effects on exchange rates. The closest study to our analysis is that of Bahmani-Oskooee et al. (2018), who examine the role of institutions as potential determinants of exchange rates in emerging market and developing economies. However, unlike their study which is limited to five measures of institutions, among which one of them is an average indicator of various features of political instability, this chapter utilises 12 distinct political risk and institutional indicators by the PRS's International Country Risk Guide (ICRG), aiming to provide a deeper view of the exchange rate-institution link by covering a bigger range of institutional features. Moreover, while their study focuses on the weighted aggregate exchange rate, this chapter employs the bilateral exchange rate, allowing us to observe more precisely the effects on the movement of currency between two countries as opposed to the country's overall competitiveness. Additionally, unlike their study which is based on annual observations, this chapter employs monthly data, aiming to capture information that is available through higher frequency data, contributing to the precision and reliability of the estimates. To the best of our knowledge, this is the first study in the political context of exchange rates to use monthly observations.

Second, this chapter contributes to the institutional quality and exchange rate literature by assessing more closely the impact of the evolution of institutions on exchange rates. Unlike any previous studies on political risk or institutional quality, this chapter observes the effects of institutions over a 12-month duration, i.e., the analysis does not only consider the effects at present, but also test their relevance over the previous 12 months. It is argued that institutional strength is built upon enforcement and stability, where policies, reforms or rules may be: enforced but not stable, stable but not enforced, or neither stable nor enforced (Levitsky and Murillo, 2009). As such, these divergences may result in variation in institutional settings and consequently on their operations, suggesting that the effects at one point in time may not necessarily define their effects in the long run. Therefore, the aim of our analysis is to evaluate the effects of institutions over the 12-month horizon to identify any pattern or variation, allowing us to profoundly observe and understand how these features contribute to the movement of currencies over time.

The remainder of this chapter is structured as follows. Section 4.2 reviews the literature on the various links between political uncertainty and exchange rates. Section 4.3 provides a description of the data employed in this study. Section 4.4 outlines the model used for the

empirical analysis. Section 4.5 reports the discussion of the empirical results. And lastly, Section 4.6 provides the conclusion of the study together with its implications.

4.2 Literature review

4.2.1 Theories of exchange rate determination

Following the introduction of floating exchange rates in the 1970's, the determination of exchange rates has been one of the most challenging fields of research in international finance. Although the main focus of this chapter is on the institutional drivers of exchange rates, this section briefly lays out the main exchange rate determination theories as a way to provide a foundational reasoning for the various control variables utilised in the empirical tests.

Despite the fact that many theories have been developed and modified over time to determine the behaviour of exchange rates, this area of research remains inconclusive as their empirical validity has often been found to be weak or inconsistent. The most fundamental models developed include the flexible-price monetary model (Frenkel, 1976; Bilson, 1978), the sticky-price monetary model (Dornbusch, 1976), the real interest rate differential monetary model (Frankel, 1979), the portfolio balance models (Branson, 1976; Dooley and Isard, 1979) and the general equilibrium models of Stockman (1980) and Lucas (1982). With the aim to understand the efficiency of foreign exchange markets, the Purchasing Power Parity (PPP) has also been considered a theory of exchange rate determination (Taylor, 1995). These models, also known as the traditional macroeconomic models, utilise macroeconomic indicators such as interest rates, inflation and growth rates to understand the behaviour of exchange rates. Despite the theoretical underpinning of these models, the empirical link between exchange rates and macroeconomic fundamentals have been found to be relatively weak.

Further to the failure of the earlier macroeconomic models of exchange rates to empirically explain exchange rate movements, a literature on market microstructure emerged as a new approach to exchange rate determination. Based on the role of market characteristics as opposed to macro fundamentals, this theory was somewhat of an improvement from previous ones, where exchange rate variations were found to be significantly explained by currency order flow as a result of their capacity to explain the spread information about price formation (e.g., Evans and Lyons, 2002; 2005; 2008; Rime et al., 2010; Payne, 2003; Chinn and Moore, 2011; among others). More recently, the literature proposed a risk-based approach to exchange rate determination. Lustig et al. (2011) found that variation in currency excess returns can be

explained by a slope factor structure in exchange rates, derived from the average returns on currency portfolios that differentiate between high interest rate currencies and low interest rate currencies. Lustig and Richmond (2019), on the other hand, identified geographic, cultural and economic distance between the home and foreign countries to affect the degree of exposure of bilateral exchange rates to systematic foreign exchange risk, indicating a gravity effect in the factor structure of exchange rates.

4.2.2 The institutional view of exchange rates

As explained in the previous section, the behaviour of exchange rates has been the subject of many studies and has been linked to multiple factors over time. Despite the role of political institutions has been found to be associated to foreign exchange markets through different dimensions in the literature, there is little discussion about the significance of politics to the movement of exchange rates precisely. As such, this section aims to review the various channels through which political instability has contributed to the exchange rate literature so as to provide an overview of the existing debates about the importance of such institutions.

One of the most common themes highlighted in the literature is the implication of political institutions or instability in shaping exchange rate policies. It is argued that the impulse to choose or maintain a particular type of regime arrangement is ultimately rooted in the strength of the government due to the likelihood of their decisions to be influenced or reversed by political fragmentations (Carmignani et al., 2008). On one hand, the underlying premise is that governments impeded by weak institutions tend to opt for fixed exchange rate arrangements as a "policy crutch" to alleviate inflationary and fiscal pressures so as to demonstrate their commitment to harsh policies and maintain their credibility. Alternatively, it is argued that with greater political turmoil or social unrest, such an arrangement is difficult to be maintained and is more likely to reverse or collapse if the government bears large debts or persistent unemployment, leading to floating exchange rate arrangements. This variation is termed as the credibility vs consistency dilemma and is the reason broadly accepted to be behind all mixed evidence reported in existing studies. For a sample of 96 advanced and developing countries, Carmignani et al. (2008) evaluate the determinants of regime choices using 3 types of political factors; electoral cycles, government turnover and socio-political unrest, and constitutional arrangements. They find that higher political risk related to these factors is linked with a floating regime, supporting the consistency view. The authors justify that floating regimes ease restrictions to policymakers and allow more freedom for resolution of conflicts which is especially important when electoral cycles or unfavourable political episodes require the

government to be open to policy changes and reforms. As a result, the implementation of a fixed system is less likely to be sustained under unstable political circumstances.

In contrast to this outcome, for a sample of 183 countries, using both political (years in office, electoral competitiveness, number of veto points in the political system) and institutional indicators (operational risk and governance ratings), Levy-Yeyati et al. (2010) find strong evidence which supports the credibility view. The authors assess the trade, financial and political determinants of exchange rate regimes and reveal that fixed exchange rate regimes are preferred by the government since they act as a "deflationary device" under weak political institutions. They, however, show how the same political factors can reverse this choice as they find that such arrangements are short-lived and cannot be sustained when inflationary pressures rise, leading to the government's inclination to flexible regime arrangements. As such, weak institutions can also be linked with floating regimes. Similar research is also undertaken by Rodriguez (2016) who, for a sample of 20 Latin American countries, employs indicators of political strength (government's years in office, duration among others) and political structure (political risk and democracy) along with other economic factors. In regard to the political strength indicators, the author finds that strong governments with more duty years left are more likely to opt for fixed regimes since the latter cannot be sustained under weak institutions, as explained by the consistency view which he terms as the "sustainability perspective". On the other hand, they report an inclination to the credibility or 'policy crutch' view with political risk since it is found that increased political risk reduces the likelihood of floating arrangements. As for democracy, it is found that strong democracies are associated with floating regimes. It is argued that democracy can generate higher political costs and pressures to the government since they necessitate greater accountability and transparency of policy objectives to the population. As such, this political structure increases the likelihood of fixed exchange rate regimes as a safer option for politicians to pursue and protect their strategies. However, as found by Rodriguez's (2016) study, democratic government may also prefer floating regimes since they prevent the rationalisation of decisions and provide the flexibility of independent management and adjustment of monetary policies helping to promote domestic economic stability, employment growth and encourage electoral success. This outcome about democracy is in line with Berdiev et al. (2012) who conduct a similar research for a sample of 180 developed and developing countries. The authors also find that a flexible regime is more likely to be maintained under left wing governments and central bank independence as a means to promote fiscal discipline. Similar findings are identified in a more recent study by Liu et al. (2020), who, for a sample of 110 countries, also employ a broader range of country risk

indicators consisting of political, economic and financial risks. They state that despite the complexity of this dynamic due to the strong variation in characteristics of the political indicators and in the circumstances under which each economy and their government operate, exchange rate policies are, nonetheless, strongly influenced by country risks.

Another context in which the political and institutional view features prominently in the foreign exchange literature is when assessing the triggers of currency crises. For a sample of 23 emerging market economies, Block (2003) investigates the political conditions which are likely to lead to a currency crisis. Using elections, the government's type, strength and democracy as indicators, the author finds that a currency crisis is less likely to occur when the government is resilient, for which they are seen as being defined as right-wing and democratic, which is in contrast to uncertainty related to elections that is not found to be significant. The author points out that devaluations, and to an extent, currency crises, depend on the government's strength and willingness to withstand speculative attacks and to resist the pressure to devalue currencies while risking increases in prices. As such, under strong governments with efficient political institutions, sharp depreciations are less probable and currency crises can even be avoided with the implementation of the right economic policies.

Similarly, Leblang and Satyanath (2008) also claim that currency crises are directly linked with the behaviour of the government and their response to macroeconomic fundamentals. Using government turnover and the degree of control over the legislative branch of the government (which they term as unified vs divided government) for a sample of 16 emerging market economies, they find significant evidence that a divided government and recent turnovers are more likely to cause currency crises. They explain that divided governments incur high costs when responding to speculative attacks since their decision-making process is impeded due to partiality uncertainty. As for government turnover, speculators are not able to predict the government moves when it is new, causing discord and mixed views about macroeconomic statistics before attacking, hence increasing the probability of a crisis. Further evidence is found by Shimpalee and Breuer (2006) who focus more specifically on the structure of the government when evaluating the determinants of currency crises. Using 13 institutional indicators (bureaucratic quality, government stability, corruption, law and order, ethnic tensions, external conflicts, internal conflicts, exchange rate regime, capital controls, central bank independence, deposit insurance, financial liberalisation and legal origin), the authors find that unstable government and effectiveness of law and order are the two key factors to significantly increase the likelihood of currency crises. They state that weak institutions related

to these two factors can create uncertainty which will result in the misallocation of resources and inefficiency that leads to capital flight and consequently a crisis.

This argument is further supported in studies more focused on exploring the causes of exchange rate movements. Another line of research in the literature emphasising the significance of political factors consists of studies examining the impact more precisely on currency movements and volatility. For a panel of 31 emerging market and developing economies, Bahmani-Oskooee et al. (2018) consider the link between political risk and real exchange rate by utilising five indicators of political risk: investment profile, bureaucracy quality, corruption, law and order, and average political instability. Their findings provide strong evidence that higher political stability and institutional quality generate an appreciation of real exchange rates in all cases except for bureaucracy quality and law and order. The authors conclude that these empirical findings support the idea that exchange rate policies are not solely based on economic contingencies, and therefore more attention should be paid to the quality of political institutions if economies were to aim to strengthen their currency and meet international competition. Additional evidence to this area of research is provided by Bouraoui and Hammami (2017), who investigate the impact of political instability on nominal exchange rates by focusing on a sample of 5 Arab countries. They employ a political stability index featuring a number of preceding events which occurred in these economies consisting of elections, protests, conflicts between political parties and the level of violent attacks among others. Their findings show that in all 5 countries, higher political instability leads to a significant depreciation of the domestic currencies. The authors, however, identify that these effects are valid only in the short-run as they find no such evidence in the long-run. They explain that there are various factors affecting exchange rates, such as economic and market expectations and unforeseen events, which have a higher probability of affecting currencies in the long-run given the dependence of currencies on present circumstances. The political index being based on past events, hence, justifies the minor influence on currencies. Moreover, on the effects of events, Plakandaras et al. (2017) test whether the uncertainty caused by Brexit could have predicted the decline in the pound exchange rate relative to the dollar. Their findings confirm that Brexit not only resulted in increased currency volatility as traders dreaded a currency collapse, but the outcome also foresaw sharp depreciations in the post-Brexit period. Further evidence on the volatility of the dollar-pound is shown by Balcilar et al. (2017) who has taken a different approach by addressing the geopolitical effects of political uncertainty on exchange rate returns and volatility. Using the effect of a terror-attack index on the dollar-pound exchange rate, they find significant impacts on both returns and volatility. They stress that these effects have

important implications for risk-averse investors, and financial institutions and traders looking to make profits or hedge currency risk as a result of their forecasting ability.

Taken together, the main premise that emerge from these studies is that the government has a pertinent role to play in the foreign exchange arena, whether it's in the form of exchange rate arrangements, value, volatility or currency crises, signifying that their institutional background is a key indicator of their quality of actions, decisions and policies. Despite such an influential association of institutions to exchange rates, we find that existing research on currency movements are largely limited, providing inadequate details about this relationship and suggesting that this line of research necessitates further investigation. This is particularly important for emerging market economies given their currency struggles, which could be feasibly minimised through the adoption of appropriate policies were more information available. Therefore, this study aims to fill the gap in this area of research by attempting to undertake a deeper analysis of the institutional determinants of exchange rates in emerging markets, with the intention to uncover further information that could potentially serve them to engage in more effective policymaking.

4.3 Data Description

This section provides the description of all data used in the empirical tests to examine the effects of institutions on the movement of emerging market currencies. Our sample includes 25 emerging market economies which have been chosen according to their exchange rate regimes, where only those operating either under a floating or crawling peg regime were considered.[29] Countries under fixed exchange rate system are overlooked as the real value of the currency in these cases is often driven by more than one country and may, thus, not be a true representation of the country's domestic policies. In this chapter, we use a balanced panel of monthly observations covering the period of 1995M1 to 2018M12 and the data is collected via Thomson-Reuters DataStream according to availability. Table A4-1 in Appendix A4 presents the data description and the respective sources of all variables utilised in this study.

[29] Countries in the sample include Argentina, Brazil, Chile, China, Columbia, Czech Republic, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Nigeria, Pakistan, Peru, Philippines, Poland, Romania, Russia, Singapore, South Africa, South Korea, Taiwan, Thailand and Turkey.

4.3.1 The dependent variable – The real exchange rate

Since the aim of this chapter is to investigate the expected value of exchanger rates, we undertake our analysis by employing the bilateral real exchange rate as the dependent variable. The real exchange rate is defined as the nominal exchange rate[30] of a country taking into account the effects of inflation, i.e., changes in the domestic and foreign price levels. It is measured under the Purchasing Power Parity (PPP) theory which states that the exchange rate between two currencies should be equal to the ratio of their countries' respective price levels, such that their money would have the same purchasing power in both countries. Changes in the real exchange rate are referred to as deviations from PPP, as such, under PPP, the real exchange rate would be constant (Sarno et al., 2003). Following this theory, the real exchange rate for each country in the sample is computed using the following equation defined in logarithmic form:

$$q_{it} = s_{it} - p_{it} + p_{it}^{*}, \qquad \textit{Eq 4.1}$$

where q_{it} the real exchange rate for country *i* at time *t*. s_{it} is the log of the domestic (emerging market) nominal exchange rate, defined as the amount of domestic currency per US dollar. p_{it} and p_t^* respectively represent the domestic and foreign price levels which, in this case, are the consumer price indices of all countries in the sample and that of the bilateral trading partner. In the context of this study, the United States (US) is designated as the trading partner given all currencies denoted internationally in terms of the US dollar[31] as the dollar acts for financial transactions in recent history as the numeraire, which continues to apply as a result of the reputation of the USA as the leading trading partner. Hence variables with an asterisk refer to those of the US. From the above equation, changes in the real exchange rate reflects real appreciations and depreciations of the domestic currency relative to the foreign one, such that a depreciation would imply a loss of purchasing power in the domestic currency, and vice versa for appreciations. Figure A4-1 in Appendix A4 show the evolution of the calculated real exchange rates over the sample period.

[30] The nominal exchange rate is defined as the domestic value of a foreign currency, i.e. the relative price between two currencies.

[31] All exchange rates are in a fundamental sense US dollar denominated as official statistics on cross rates automatically satisfy a triangular arbitrage condition (see Smith and Hunter, 1985). In practice, disparities are usually eliminated for most currencies within the day as a result of the arbitrage profits that result from dealers in foreign exchange markets eliminating mispricing by round trip trades. Generally, cross rates used for trades are generally computed using this. Any likely restrictions are met and a single model can be adopted at the level of the cross rate when the exchange rate satisfies restrictions associated with PPP, which is what is assumed when the real exchange rates are adopted.

4.3.2 The independent variables

In this subsection, we provide a description of all the independent variables employed in the empirical analysis; these include the political indicators and control variables which are discussed separately.

4.3.2.1 Political and institutional factors

Following the main objective of this chapter, which is to investigate the role of the institutions in the real exchange rates, we employ the same set of institutional indicators as described in the previous chapters consisting of government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality (see Chapter 2, Appendix B2 for the full description of these indicators). The political risk condition in 2018 for every emerging market economy in the sample is shown in Table A4.2. It is evident that there is a variation in the countries' political risk background as they are found to be well distributed throughout the three categories. In terms of the relationship between real exchange rates and institutions, although Bahmani-Oskooee et al. (2018) provide evidence that this specific type of determinant leads to an appreciation of domestic currencies, given the ambiguous association of political factors to the movement of exchange rates from the literature, both positive and negative effects are expected.

4.3.2.2 Relevant control variables

In addition to the institutional indicators, we also follow the existing exchange rate literature and control for several factors that are commonly deemed to be important. To be consistent with the bilateral nature of the dependent variable, the control variables in differential forms are employed, as such, each control indicator refers to the difference between the emerging market economy values and those of the trading partner (US).[32] Grouped into different categories according to their characteristics, our control variables include the following:

Macro and monetary fundamentals: Prompted by exchange rate determination models developed following the inception of floating exchange rates in 1973, many macroeconomic and monetary features have been commonly highlighted over the years as the main determinants of exchange rates. To account for this side of the literature, we incorporate the

[32] See also Hunter and Menla-Ali (2014) who consider similar differentials and provide the theoretical basis of the models from which they are derived and developed.

following four key factors: (i) Industrial production growth differential, ($ip_{it} - ip_{it}^{*}$), (ii) Money supply growth differential, ($m_{it} - m_{it}^{*}$), (iii) Real interest rate differential, ($r_{it} - r_{it}^{*}$), and (iv) Terms of trade differential ($tot_{it} - tot_{it}^{*}$).

First, the **industrial production growth differential** is computed using the Industrial Production Index (IPI) and is used as a measure of the domestic economy's productive capacity and overall economic performance relative to the trading partner. This indicator is employed as an alternative to the Gross Domestic Product (GDP) due to the unavailability of the latter at a monthly frequency. Industrial production growth is expected to be positively associated to the real exchange rate as higher production is a reflection of economic growth through increased employment and capacity utilisation. Second, the **money supply growth differential** is employed as an indication of the economy's financial depth and development. In this chapter, the M2 money supply is employed and is expected to cause a depreciation in real exchange rates since increases in money supply tend to generate higher inflation which is likely to affect the competitiveness of domestic goods and cause the demand for exports to fall, reducing the demand for the currency and, hence, the depreciation. Third, we use **the real interest rate differential** to account for the monetary policy effects on the exchange rate. For the empirical analysis, the central bank policy rate is used where possible, and the money market rate is employed for countries where data were unavailable. The nominal interest rates are converted to real interest rates by adjusting for inflation to reflect the real returns on investment. According to the literature, interest rate rises can lead to either an appreciation or depreciation in domestic currencies and the difference in effects is linked to the monetary transmission mechanism (Hnatkovska et al., 2016). Domestic currencies tend to appreciate through the liquidity channel when higher interest rates raise the demand of liquid assets. On the other hand, a depreciation can occur when raising interest rates has a contractionary effect on domestic activity or lead to a higher fiscal burden, both reflecting the inflationary effects on the currency. Thus, we expect the real interest rate differential to be either positively or negatively linked with real exchange rates. Lastly, the **differential of the terms of trade** is included in the analysis to account for the effects of changes in the global prices on real exchange rates. Higher terms of trade implies that export prices have increased relative to import prices which can affect real exchange rates both positively and negatively due to income and substitution effects. Briefly, an appreciation is caused through the income effect due to increased demand generated by higher domestic income and spending from higher export prices. The latter can also dampen the foreign demand of local goods, leading to higher demand of goods from lower import prices, causing a real depreciation in the currency through the

substitution effect. Thus, both positive and negative association are expected with real exchange rates.

Other fundamentals: The literature on PPP suggests that the real exchange rate is persistent, attributing such persistence to various macroeconomic and global factors. We incorporate three cited factors from this literature: (i) Productivity growth differential, $(p_{it} - p_{it}^{*})$, (ii) Government spending growth differential, $(gs_{it} - gs_{it}^{*})$, and (iii) Log changes of commodity prices, $(cp_{it} - cp_{it}^{*})$.

First, the **productivity differential** is included to account for the differences in supply side effects emphasised in the literature related to the PPP exchange rate (Ricci et al., 2013). According to the theory of sectoral productivity, higher productivity in the traded sector results in increased wages in the domestic economy and a fall in prices of its traded sector's goods relative to the foreign economy, thereby appreciating the real value of the domestic currency (De Gregorio and Wolf, 1994). Second, the **differential of government spending** is intended to account for the possible differences in demand side effects on the real exchange rate. Theoretically, higher domestic public spending results in a currency appreciation as it directly increases the demand for domestic goods and services, leading to a rise in their relative price with respect to the foreign economy (Bouakez and Eyquem, 2015). As such, we expect a positive association between government spending and the real exchange rate. Lastly, **commodity prices** have often been highlighted as an important factor in the exchange rate literature due to the effects of oil shocks on an economy's level of competitiveness (Basher et al., 2016). Commodity prices are known to affect domestic real exchange rates through the terms of trade and wealth channels with varying effects based on whether the countries are oil-importing or oil-exporting ones. Through the terms of trade channel, for oil-importing countries, a rise in oil prices increases the trade deficit which consequently depreciate the currency and vice versa for oil-exporting countries (Fratzscher et al., 2014). The same effects are also transmitted through the wealth channel whose underlying premise is that high oil prices cause a transfer of income from oil-importers to oil-exporters (Krugman, 1980). Since the emerging markets in the sample consists of both oil-importing and oil exporting ones, either a positive or negative link between commodity prices and real exchange rates is expected.

Global risk aversion: We also control for global risk aversion since uncertainty in the global financial markets has commonly been associated with volatile exchange rates. The VIX volatility index is used as proxy for global risk aversion, where higher volatility in the financial

markets can trigger an outflow or withdrawal of funds from the domestic economy, leading to a depreciation of the domestic currency. As such, real exchange rates are expected to depreciate with higher global risk.

Capital flow volatility: Capital flows have frequently been featured as an important determinant of domestic currencies. They are usually associated with a currency appreciation since they generate higher demands of tradable and non-tradable goods in the economy. Following the global financial crisis, emerging market economies have experienced continuous volatile capital flows which have been argued to deteriorate their currencies (Ehlers and Takáts, 2013). For this reason, in this analysis we also control for the volatility of both FDI and bank inflows, where both are expected to cause a depreciation in emerging market real exchange rates. The volatility estimates are obtained by using the ARIMA method (see Chapter 2, Section 3 for more details).

Others: We further include two factors that have also been commonly mentioned in the literature: (i) Quantitative easing and (ii) Capital controls. There is a growing literature which underline the role of unconventional monetary policy tools set by central banks in the movement of exchange rates (see, e.g. Glick and Leduc, 2012). Quantitative easing helps to stimulate the economy by increasing money supply, lending and investment through the purchase of financial assets from the market. It is argued that it can also lower interest rates which can cause the real value of domestic currency to depreciate. There were the three episodes of the US quantitative easing programs that occurred from 2009 to 2013 following the global financial crisis. To account for each of them, three dummy variables are created where QE1 takes the value of 1 from December 2008 to March 2010, 0 otherwise; QE2 takes the value of 1 from November 2010 to June 2011, 0 otherwise; and QE3 takes the value of 1 from September 2012 to December 2013, 0 otherwise. In regard to capital controls, the degree of financial openness is said to play an important role when it comes to the intensity of shocks to exchange rates (Calderón and Kubota, 2018). With higher financial openness, there is less friction in cross-border capital movement which exposes domestic currencies to these shocks. We account for this factor by using the capital account openness index by Chinn and Ito (2006).

4.4 Econometric Specification

To investigate the effects of institutions on the real exchange rates, we employ the country fixed effects panel model. As such, the following model is considered:

$$\Delta q_{it} = \alpha_i + \sum_{k=1}^{6} \phi_k \, q_{i,t-k} + \beta X_{it} + \sum_{k=0}^{12} \gamma_k \, IQ_{i,t-k} + \varepsilon_{it} \,, \qquad \textit{Eq 4.2}$$

where Δq_{it} is the real exchange rate, in its first difference, for country *i* and month *t*. The model incorporates autoregressive terms up to six lags, where insignificant terms are dropped. X is the vector of control variables, described in the previous section. Each group of control variables is added sequentially to observe the changes in the institutional effects when controlling for different fundamentals and thus, also contributing to verifying the robustness of the results. IQ represents each of the 12 political and institutional indicators which are to be included individually in the model. Aside from examining their effects at time *t*, we take this analysis to a step further by also assessing their lagged effects. It is argued that the effect of institutional strength may vary over time according to how they were enforced or how resilient they are to changes over time (Levitsky and Murillo, 2009). Given the monthly frequency of our dataset, the intention in this analysis is to observe the institutional effect on the movement of currencies throughout the year, rather than at just one point in time. This will not only provide insights on their association but will also provide an additional layer of understanding of their over time performance effects on emerging market currencies. Thus, twelve lags of each political indicator are included in the model along with their respective contemporaneous effects; in this way, we capture effects over the previous twelve months up to time *t*.

4.5 Results and Discussion

4.5.1 Summary Statistics

The descriptive statistics of all variables employed are presented in Table 4-1 and Table 4-2. In regard to the political risk indicators, the table reveals that emerging markets' institutional quality appear to be unsteady, since in all cases their minima and maxima values range from the lowest to the highest. The lowest average is found with bureaucracy quality (2.51) and corruption (2.69), indicating that, generally speaking, emerging market economies in the sample have weaker bureaucratic and corruption control.

From the results in Table 4-1, we also notice the maximum value of the interest rate differential being particularly extreme (394.238). This value is found with Turkey in 2001 in the sample. As a matter of fact, Turkey's economy suffered from one of its worse crises in 2001, where the Turkish lira lost half of its value, inflation peaked to 88% and interest rates skyrocketed by 7500%, explaining the high value detected in the table. Furthermore, high kurtosis values are

identified with the interest rate differential (171.838) and money supply differential (909.950) respectively. A possible reason for such excess kurtosis can be due to the quantitative easing programs that occurred in 2008-2009, where there was substantial creation of money, leading to a distortion in the tails of the differentials.

Table 4-1: Descriptive statistics of employed variables

Variables	Observations	Mean	Std. Dev	Minimum	Maximum	Skewness	Kurtosis
Δq_{it}	7175	0.001	0.034	-0.264	1.348	10.777	381.674
$ip_{it} - ip_{it}^{*}$	7175	-0.147	0.299	-1.078	0.756	-0.428	3.010
$r_{it} - r_{it}^{*}$	7175	8.737	12.612	-4.873	394.238	8.610	171.838
$m_{it} - m_{it}^{*}$	7175	0.006	0.039	-1.647	1.655	-0.013	909.950
$tot_{it} - tot_{it}^{*}$	7200	0.423	0.363	-0.721	2.799	0.901	6.550
$gs_{it} - gs_{it}^{*}$	7175	0.001	0.061	-0.855	0.897	-0.357	58.111
$p_{it} - p_{it}^{*}$	7173	-0.018	0.060	-0.716	0.121	-6.277	61.854
COM_{it}	7175	0.000	0.063	-0.331	0.180	-0.680	5.165
VIX_{it}	7200	19.831	7.894	10.123	62.639	1.891	8.881
$\sigma_{it,FDI}$	6972	1.486	2.376	0.001	30.311	5.285	43.453
$\sigma_{it,BF}$	6675	3.285	7.662	0.069	81.633	5.930	43.082
$CAPCON_{it}$	6336	0.070	0.255	0	1	3.373	12.378
$QE1_{it,}$	7200	0.056	0.229	0	1	3.881	16.059
$QE2_{it,}$	7200	0.028	0.164	0	1	5.747	34.029
$QE3_{it,}$	7200	0.056	0.229	0	1	3.881	16.059
$GOVST_{it}$	7200	7.968	1.769	3	12	0.035	2.355
$SOCIO_{it}$	7200	6.189	2.041	1.5	11	-0.098	2.687
$INVEST_{it}$	7200	8.361	1.990	2	12	-0.137	2.640
$INCON_{it}$	7200	8.896	1.842	2	12	-0.390	2.777
$EXCON_{it}$	7200	9.797	1.346	3	12	-0.625	3.457
$CORR_{it}$	7200	2.689	0.917	1	9	0.895	4.897
$MILIT_{it}$	7200	3.854	1.452	0	6	-0.395	2.473
$RELIG_{it}$	7200	4.456	1.637	0.5	6	-0.868	2.449
LAW_{it}	7200	3.646	1.194	1	6	-0.139	1.972
$ETHNIC_{it}$	7200	3.895	1.459	1	6	-0.091	1.900
$DEMOC_{it}$	7200	4.414	1.434	0	6	-0.894	2.944
BUR_{it}	7200	2.505	0.829	0	4	-0.221	2.571

Notes: Δq_{it} is the differenced bilateral real exchange rates. $ip_{it} - ip_{it}^{*}$, $r_{it} - r_{it}^{*}$, $m_{it} - m_{it}^{*}$, $tot_{it} - tot_{it}^{*}$, $gs_{it} - gs_{it}^{*}$ and $p_{it} - p_{it}^{*}$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}$ $QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $GOVST_{it}$, $SOCIO_{it}$, $INVEST_{it}$, $INCON_{it}$, $EXCON_{it}$, $CORR_{it}$, $MILIT_{it}$, $RELIG_{it}$, LAW_{it}, $ETHNIC_{it}$, $DEMOC_{it}$, and BUR_{it} are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality.

Table 4-2: Descriptive statistics of the real exchange rate against the US dollar ($) for each country in the sample

Country	Observations	Mean	Std. Dev	Minimum	Maximum	Skewness	Kurtosis
Argentina	288	1.175	0.452	0.449	2.196	-0.330	1.994
Brazil	288	0.757	0.267	0.334	1.542	0.558	2.453
Chile	288	6.248	0.134	6.051	6.591	0.575	2.622
China	288	1.802	0.091	1.462	1.977	-1.224	5.353
Columbia	288	8.003	0.184	7.695	8.406	0.139	2.085
Czech Republic	288	3.153	0.255	2.645	3.650	0.157	1.830
Hungary	288	5.483	0.215	4.997	5.937	0.070	2.030
India	288	3.872	0.101	3.647	4.082	0.193	2.263
Indonesia	288	9.252	0.242	8.924	10.222	1.165	4.949
Israel	288	1.357	0.092	1.201	1.550	0.325	2.041
Malaysia	288	1.157	0.138	0.821	1.390	-1.043	3.219
Mexico	288	2.499	0.130	2.286	2.919	0.829	2.805
Nigeria	288	4.928	0.409	3.991	5.552	-0.578	2.699
Pakistan	288	4.385	0.121	4.177	4.685	0.451	2.263
Peru	288	1.020	0.104	0.813	1.209	0.110	1.728
Philippines	288	3.811	0.168	3.547	4.124	0.345	1.869
Poland	288	1.193	0.161	0.711	1.481	-0.547	2.565
Romania	288	1.299	0.246	0.854	1.969	0.209	1.894
Russia	288	4.055	0.299	3.547	4.684	0.468	2.259
Singapore	288	0.274	0.130	0.054	0.483	0.022	1.601
South Africa	288	2.091	0.191	1.728	2.663	0.462	3.017
South Korea	288	7.044	0.128	6.790	7.507	0.335	3.235
Taiwan	288	3.367	0.119	3.013	3.524	-1.500	4.274
Thailand	288	3.482	0.155	3.219	3.906	0.148	2.095
Turkey	288	0.648	0.231	0.224	1.223	0.126	2.057

As for highest mean of 9.80, it is identified with external conflicts, suggesting that these countries have a relatively strong foundation when it comes to managing cross-border interactions. Additionally, Table 4-2 presents the individual real exchange rates for all 25 emerging market economies. The highest averages can be found with Chile, Columbia, Indonesia and South Korea. And the ones among the lowest mean is Singapore, Turkey, Brazil, Argentina among others. With skewness values ranging from -1.5 to 1.2, we find the data to be highly skewed. Additionally, the high kurtosis values indicate that the distribution of emerging market real exchange rates is on the heavier side and is thus more inclined to a leptokurtic distribution. Both reflect the large fluctuations in the movement of currencies, which coincide with what many emerging markets have experienced in their currency markets. Lastly, the

correlation matrix of all independent variables employed are provided in Table 4-3. The variables are found to be correlated at a low level, confirming that they can all be included simultaneously in the empirical analysis.

Table 4-3: Correlation Matrix

	ip_{it}-ip_{it}^*	r_{it}-r_{it}^*	m_{it}-m_{it}^*	tot_{it}-tot_{it}^*	gs_{it}-gs_{it}^*	p_{it}-p_{it}^*	COM_{it}	VIX_{it}	$\sigma_{it,FDI}$	$\sigma_{it,BF}$	$GOVST_{it}$	$SOCIO_{it}$	$INVEST_{it}$	$INCON_{it}$	$EXCON_{it}$	$CORR_{it}$	$MILIT_{it}$	$RELIG_{it}$	LAW_{it}	$ETHNIC_{it}$	$DEMOC_{it}$	BUR_{it}
ip_{it}-ip_{it}^*	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
r_{it}-r_{it}^*	-0.018	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
m_{it}-m_{it}^*	0.021	0.112	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
tot_{it}-tot_{it}^*	0.009	-0.158	-0.010	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
gs_{it}-gs_{it}^*	0.030	0.006	-0.023	-0.013	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
p_{it}-p_{it}^*	0.015	-0.207	-0.041	0.142	-0.023	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
COM_{it}	0.040	0.018	0.013	0.036	-0.018	-0.059	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
VIX_{it}	-0.010	0.046	-0.040	0.007	-0.003	0.101	-0.255	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.
$\sigma_{it,FDI}$	0.003	-0.075	-0.019	0.043	-0.004	0.013	0.003	-0.008	1	.	.	.	.	.	.	.	.	.	.	.	.	.
$\sigma_{it,BF}$	0.009	-0.113	-0.024	0.004	-0.002	-0.020	-0.008	0.075	0.549	1	.	.	.	.	.	.	.	.	.	.	.	.
$GOVST_{it}$	-0.002	-0.052	0.017	0.108	0.003	0.082	0.037	0.166	0.120	0.258	1	.	.	.	.	.	.	.	.	.	.	.
$SOCIO_{it}$	0.011	-0.390	-0.074	-0.074	-0.007	-0.009	-0.014	-0.111	0.258	0.350	0.018	1	.	.	.	.	.	.	.	.	.	.
$INVEST_{it}$	0.011	-0.297	-0.067	-0.020	-0.006	0.232	-0.037	0.051	0.277	0.273	0.022	0.520	1	.	.	.	.	.	.	.	.	.
$INCON_{it}$	0.001	-0.145	-0.027	-0.005	-0.001	-0.163	0.020	-0.032	0.315	0.275	0.142	0.490	0.315	1	.	.	.	.	.	.	.	.
$EXCON_{it}$	-0.010	0.108	0.012	-0.004	-0.004	-0.176	0.025	-0.016	0.206	0.128	0.011	-0.056	0.042	0.462	1	.	.	.	.	.	.	.
$CORR_{it}$	0.003	-0.041	-0.019	-0.273	-0.001	-0.177	0.006	-0.022	0.321	0.377	0.090	0.419	0.338	0.453	0.143	1	.	.	.	.	.	.
$MILIT_{it}$	0.012	-0.138	-0.037	0.030	-0.010	0.012	-0.002	0.003	0.385	0.236	-0.024	0.326	0.446	0.615	0.437	0.398	1	.	.	.	.	.
$RELIG_{it}$	-0.006	-0.081	-0.020	0.080	0.000	-0.058	0.005	-0.014	0.179	0.096	0.034	0.303	0.290	0.520	0.282	0.296	0.569	1	.	.	.	.
LAW_{it}	0.006	-0.142	0.001	-0.202	-0.005	-0.121	0.014	0.005	0.277	0.330	0.141	0.536	0.367	0.551	0.017	0.526	0.400	0.216	1	.	.	.
$ETHNIC_{it}$	0.000	-0.138	-0.057	0.012	-0.002	-0.079	0.014	0.003	0.269	0.319	0.158	0.328	0.259	0.543	0.281	0.384	0.412	0.565	0.303	1	.	.
$DEMOC_{it}$	0.007	-0.045	-0.027	-0.208	-0.006	0.054	-0.009	-0.021	-0.077	-0.251	-0.342	0.036	0.318	0.179	0.116	0.182	0.433	0.154	0.137	0.031	1	.
BUR_{it}	0.009	-0.210	-0.080	-0.215	-0.006	-0.021	0.009	0.001	0.261	0.345	-0.014	0.534	0.447	0.313	-0.011	0.571	0.361	0.138	0.477	0.357	0.293	1

Notes: $ip_{it} - ip_{it}^*$, $r_{it} - r_{it}^*$, $m_{it} - m_{it}^*$, $tot_{it} - tot_{it}^*$, $gs_{it} - gs_{it}^*$ and $p_{it} - p_{it}^*$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $GOVST_{it}$, $SOCIO_{it}$, $INVEST_{it}$, $INCON_{it}$, $EXCON_{it}$, $CORR_{it}$, $MILIT_{it}$, $RELIG_{it}$, LAW_{it}, $ETHNIC_{it}$, $DEMOC_{it}$, and BUR_{it} are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality.

4.5.2 Main Findings

In this subsection, the effects of institutions and of the controls are thoroughly discussed separately. We provide a summary of the results of all the political indicators uniquely in Table 4-4, where each column denotes every indicator with their estimated effects at time *t* and their respective twelve lags. Additionally, the full estimation results of equation (4.2) for each 12 indicators are reported in Tables A4-3 to A4-14 in Appendix A4, where each column represents the estimates with the addition of every set of control variables.

4.5.2.1 Political and Institutional effects

As discussed in the model specification section, the estimation considers the institutional effects throughout the 12-month period to observe their behaviour over this duration. Looking at the contemporaneous effects in Table 4-4, the findings reveal that real exchange rates are significantly determined by six of the institutional indicators; government stability, socioeconomic conditions, investment profile, internal conflict, law and order and democratic accountability. All of them are found to have negative and statistically significant coefficients at the 1% level, indicating that stronger institutions related to these factors lead to an appreciation of emerging market currencies. Turning to the lagged effects, it can be seen from Table 4-4 that the significant effects are still apparent throughout that period, signifying that real exchange rates continue to respond to institutional changes which occurred throughout the year. The most surprising aspect of this finding is that in many cases, these effects do not appear to be the same as the contemporaneous ones. Effectively, the lagged results appear to provide another layer to the relationship between exchange rates and institutions.

One major theme identified from the estimated results is a noticeable change in effects from an appreciation to a depreciation throughout the 12 months. In most cases where a significant negative association is identified at time *t*, denoting the appreciation, the significant lags representing the earliest point in time are shown with positive coefficients, indicating a depreciation. For example, Table 4-4 reveals that higher government stability at time *t* leads to an appreciation in real exchange rates of 0.4% at the 1% significance level. While this effect is also found significant at the 4^{th} and 7^{th} lag, from the 8^{th} to the 12^{th} lags all coefficients are positive, denoting a depreciation, although this effect is only significant the 9^{th} lag.

Table 4-4: Summary of effects of each institutional indicator on real exchange rates

	GOVST	SOCIO	INVEST	INCON	EXCON	CORR	MILIT	RELIG	LAW	ETHNIC	DEMOC	BUR
IQ_{it}	-0.004***	-0.005***	-0.006***	-0.004***	-0.002	-0.004	-0.007	-0.001	-0.012***	0.002	-0.011***	0.001
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.005)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-1}	-0.001	-0.002	-0.003**	0.001	0.007***	0.001	0.007	-0.000	-0.000	0.022***	0.016***	0.001
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.005)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-2}	-0.001	-0.003*	0.001	-0.000	0.000	-0.000	-0.001	0.000	-0.005	0.001	-0.005*	0.005
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.005)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-3}	-0.001	-0.000	0.002	0.005***	0.001	0.002	0.030***	-0.000	-0.010**	-0.005	0.001	0.002
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.005)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-4}	-0.002**	-0.001	-0.000	-0.000	0.004**	-0.001	-0.009**	-0.004	0.002	-0.000	0.010***	-0.011*
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.005)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-5}	-0.000	0.001	-0.000	0.001	0.000	0.003	-0.002	0.006	0.004	0.002	-0.007**	0.003
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.005)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-6}	0.000	-0.004***	-0.007***	-0.001	-0.001	-0.013***	0.005	0.003	-0.001	0.000	-0.010***	0.005
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.005)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-7}	-0.002**	-0.002	-0.001	0.002	-0.000	-0.003	0.008*	-0.006	0.005	0.001	-0.005*	-0.006
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.005)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-8}	0.001	0.001	0.000	-0.002	0.002	0.000	0.010**	-0.001	-0.001	0.004	0.002	0.001
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.005)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-9}	0.001*	0.002	0.002*	-0.000	0.001	0.001	0.011***	-0.002	0.003	0.000	0.001	-0.003
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-10}	0.000	0.004**	0.003***	-0.002	0.001	0.002	-0.002	-0.008*	-0.006	-0.001	-0.001	0.002
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-11}	0.000	0.007***	0.000	0.002	-0.004***	-0.008**	0.002	0.002	-0.003	0.001	0.001	0.003
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.003)	(0.006)
IQ_{it-12}	0.001	0.003*	0.001	0.000	0.001	0.003	0.007	0.001	-0.006	-0.001	-0.002	0.002
	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)	(0.003)	(0.006)
Adjusted R-squared	0.067	0.067	0.072	0.064	0.066	0.065	0.071	0.061	0.063	0.065	0.074	0.061

Notes: GOVST, SOCIO, INVEST, INCON, EXCON, CORR, MILIT, RELIG, LAW, ETHNIC, DEMOC, and BUR are the twelve political risk indicators, which respectively stand for government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability and bureaucracy quality. IQ_{it} represents their respective contemporaneous estimates. IQ_{it-1} to IQ_{it-12} denote their respective lags from the estimated regression. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

This outcome over the 12-month period indicates that while current improvement in institutional stability generates an appreciation in real exchange rates, progress in government stability from earlier on in the year causes them to depreciate, suggesting that the same factor leads to a depreciation over time. Such a behaviour seems to be a recurrent pattern since it is also observed with the estimated results for socioeconomic conditions, investment profile, internal conflict and military in politics (see Table 4-4). With socioeconomic conditions, negative effects highlighting the appreciation are detected at time *t* and at the 2nd and 6th lag, while significant positive effects are found at lags 10, 11 and 12. Similarly for investment profile, a significant negative link is identified contemporaneously together with the 1st and 6th lag, and positively significant effects are found at the 9th and 10th lags. Similar effects are prevailed for internal conflict, where less risk of conflicts promotes an appreciation of domestic currencies of 0.4% at time *t*, but also causing a depreciation of 0.5% at the 3rd lag, both significant at the 1% level. Military in politics also fall under the same category since the results show that lags 3, 7, 8 and 9 lead to a depreciation, while the effect at time *t* is shown with a negative coefficient denoting an appreciation, although insignificant.

Overall, these findings provide evidence that stronger institutions and improved stability first have an immediate strengthening effect on the domestic currency while over time they tend to generate a depreciation. Though such an outcome is somewhat unanticipated, it can be justified given the function of institutional structures. Levitsky and Murillo (2009) explain that institutional strength comes from both enforcement and durability of rules and procedures such that a gap in either of the two is likely to cause variations in both formal and informal institutional effects. Very often policies are enforced and complied with but fail to survive the test of time and changes that occur within the government or the economy, causing them to be unpredictable and less effective over time. Given that government stability is related to its efficiency in maintaining its role, socioeconomic conditions is based on consumer confidence and lower poverty, investment profile is determined by the quality of investment transactions and internal conflicts being associated with social and political unrest, they all portray the type of indicators which require consistency of performance to maintain the same level of stability or achieve higher progress. It is not surprising that such changes in effects are found to be the case with regard to emerging market economies given that majority of them have a history of political uncertainty which still prevail, increasing the likelihood of unsteady operations of their institutions. While their initial institutional motives or actions may seem to benefit their currency, their true challenge is to maintain such efforts over time or find measures that are likely to persist throughout changes or periods of vulnerabilities they may go through.

In contrast to this trend of the findings, there is evidence of one indicator which shows the opposite pattern. The results for external conflicts over the twelve-month duration, as shown in Table 4-4, indicate in this case an appreciation only occurs over time. Less external conflicts at present are shown to generate a depreciation of 0.7% and 0.4% at the 1st and 4th lag respectively while previous institutional improvement at lag 11 lead to an appreciation of 0.4% of domestic currencies at the 1% significance level. As such, the control of external conflicts tends to generate an instant depreciation of real exchange rates while causing them to appreciate through time. According to the explanations of Levitsky and Murillo (2009) on institutions, such an outcome is possible when institutional developments are weakly "born", which can be intentional or unintentional. Given that external conflicts are based on the quality of cross-border interactions and trade pressures and conflicts, it is possible that the control of such factors requires the government to elevate itself to conform to social expectations or global demands, despite having no existing potential to pursue its stated objectives in the long run, representing an intentional action which could lead to the creation of weak policies. Moreover, unintentionally, such an outcome is also possible when the government is competent but cannot function at its full capacity or meet its aims due to limited bureaucracy or restricted services, leading to strategies being weakly initiated. Levitsky and Murillo (2009) refer to Peru's government which repeatedly failed to enforce tax and other laws in the country due to its limited control in one location of the country. Furthermore, weak enforcement can also occur when there are social, economic and racial inequality present in countries which can create resistance for strong rules to be immediately imposed or abided by. While the enforcement of stronger institutions or policies to control external conflicts may be to provide a stable ground to ease and progress foreign transactions, these arguments indicate that time also plays an important role as there may be other factors at play which initially deteriorate or prevent the appreciation of emerging market currencies.

Aside from such patterns, the estimated results show that there is one case where the effects are simply mixed. The effects of democratic accountability on domestic currencies seem to fluctuate between positive and negative throughout the 12 months. Table 4-4 shows that strong democracy overall appears to generate an appreciation of emerging market currencies, with significant coefficients of 1.1%, 0.5%, 0.7%, 1% and 0.5% at time *t* and lags 2, 5, 6 and 7, respectively. However, there is evidence of two lags which also indicate that the same factor can cause domestic currencies to depreciate by 1.6% and 1% respectively at lags 1 and 4. Interestingly, the mixed effects appear to be reasonable given the political background of this

indicator. Strong democracies have been perceived to be both beneficial and detrimental to an economy. While they may reflect the government degree of efficiency and accountability to fulfilling its duties, they also indicate the degree of their influence. Strong governments have full control on the laws, policies and any rights they may want to promote, such that, if the people in power are incompetent, unethical or lack integrity, they can instigate actions that could be detrimental to the economy, hence impacting on domestic currencies.

Further, Table 4-4 reports a weak negative effect with only one or two significant lags with some of the remaining indicators (e.g., corruption, religious tensions, law and order and bureaucracy quality), indicating that stronger institutions through these factors have a minor beneficial effect on emerging market currencies. Similarly, a weak positive effect is detected with ethnic tensions (e.g., the coefficient of the 1st lag is 2.2%). These estimated results suggest that real exchange rates of emerging markets seem to be indifferent to these factors. Finally, our results are found to be robust to the inclusion of various groups of control variables, indicating the relevance of the effects.

4.5.2.2 Controls

The estimated results of all control variables are reported in Tables A4-3 to A4-14 (See Appendix A4). Among the macro and monetary fundamentals, the findings feature the significance of the differentials of real interest rate, money supply growth and terms of trade changes. The real interest rate differential is found with positive and statistically significant coefficients at the 1% throughout all regressions, suggesting that an increase of one percent in the real interest rate of domestic economies relative to that of the US results in a depreciation of domestic currencies, by an average of 1%, relative to the US dollar. This finding implies that emerging market currencies are affected by the contractionary effects caused by higher interest rates. The differential of money supply growth is also shown with positive coefficients across all regressions as expected, denoting that as domestic money supply increases relative to the US, domestic currencies will depreciate by an average of 2.3%. The effects of terms of trade differential on emerging market currencies is also identified with the expected sign. One percent increase in terms of trade of emerging markets relative to that of the US causes emerging market currencies to appreciate by an average of 0.4%.

In regard to the additional fundamentals consisting of government spending, productivity and commodity prices, the latter is the only factor that appears to significantly affect real exchange rates. Commodity prices display negative coefficients across all regressions, indicating that an

increase in commodity prices causes the domestic currency to appreciate by an average of 4%. As for the effects of global risk aversion, the estimated results of the volatility index are shown with positive and significant coefficients at the 1% significance level in all cases, suggesting that higher global risk tends to cause emerging market currencies to depreciate, as expected. As for the effects of quantitative easing dummies and capital control index, they are insignificant, indicating that they do not impact on emerging market currencies. Lastly, controlling for the effects of the volatility of capital flows (e.g., FDI and bank inflows), although the results illustrate the expected coefficients, they do not exhibit significant effects.[33]

4.6 Conclusion

Following substantial depreciations, and abrupt devaluations in some cases, of emerging market currencies and their devastating consequences on their economies, it has become imperative for such economies to find the appropriate measures to prudently manage their currency fluctuations. While in theory institutional quality appears to play an important role to the behaviour of currencies, its empirical linkages to exchange rate levels have neither been investigated thoroughly nor addressed concretely. As such, the primary aim of this chapter was to explore the extent to which various institutional and political factors affect the movement of real exchange rates. This analysis was undertaken using monthly panel data for a sample of 25 emerging market economies over the period of 1995M1 to 2018M12.

The first major finding to surface from the investigation is that strong institutions and low political risks are found to generate an appreciation of real exchange rates of emerging market economies. At hindsight, this occurs precisely with improved government stability, socioeconomic conditions, investment profile, less internal conflicts and better law and order and democratic accountability. Such an outcome proves that high political uncertainty is detrimental to emerging market economies currencies, indicating that the role of institutions in this field of research is far more critical than it is deemed to be and that the conventional fundamentals which have dominated the behaviour of exchange rates during the past few decades have not been the only factors influencing the movements of emerging markets currencies. While they have certainly played an important role in determining exchange rates as highlighted by various international institutions and experts, it is equally true that other factors, such as, political stability, strong institutions run along professional lines, and the

[33] Although we do not report the results, we also add both FDI and bank flows (in level) to the regressions to test their effects on real exchange rates. Consistent with the literature, we find bank flows to cause an appreciation of domestic currencies.

application of sound good governance principles and practices have also played a crucial role in these countries.

The second major outcome of this analysis has revealed that these effects identified are easily reversible. In most cases where it is found that stronger institutions at present aid to appreciate domestic currencies, we find that the same factors over time cause them to depreciate or vice versa, i.e., a current depreciation can easily turn into an appreciation with time. There are no cases where the effect is constant throughout the year. Such a revelation signals the long-term nature of institutional quality where true institutional stability is developed over time. Reforms and improved rules that are instantly established and effected can be at risk of distortions and inefficiency especially if they are rapidly set out, such that they are more likely to generate positive effects over time since they are prone to evaluations and adjustments to be efficient in serving their purpose. As such, if emerging market economies want to benefit from the appreciation effect of institutions on their currencies, it would require their government to commit to investing in resources to consistently sustain the quality of their institutions. This would ultimately aid to create strong institutional foundations for their economies, which would not only benefit their currency market at present but provide a form of security for their future.

4.7 Policy Implications

As shown in this study, the institutional background of emerging market economies is found to have a strong influence on their currencies. With this knowledge, it is imperative for policymakers to take the necessary steps to set the scene for a more proactive currency management. With the awareness that strong institutions with government stability, better socioeconomic conditions, investment profile, law and order, democratic accountability and less internal conflicts can lead to a real appreciation of emerging market currencies, it is possible for policymakers to find multiple ways through these avenues to work in favour of their currencies.

With the positive impact of government stability and democratic accountability, it shows that regulatory institutions in emerging market economies need to be given more independence if they were to restore the stability of their currencies. This could include a critical review and restructure of these institutions, including the central banks and other regulatory bodies at

national level with the objective to enhance the operations and management with high calibre and experienced professionals. It should further include policies or mandatory regulations that strictly differentiate between the roles of central banks and the government, so that changes in government or indirect government influence do not sink off their currencies. This would avoid central banks to lose their role and responsibilities over the professional management of their currencies, which has often been the case for emerging market economies.

Moreover, based on the fact that these institutional effects are not set in stone and can change over time, policymakers should also monitor actual performance against international benchmarks to ensure that they deliver as targeted and that corrective and remedial actions are properly taken to address any shortfalls. Further, given the frequency of currency issues in emerging market economies, policymakers should seek to build a national team that are focused on and actively working and advising on measures to maintain a strong institutional foundation that benefit the movement of their currencies, especially within the features that have been found to be significant in this study. This would ensure the strong functioning of these institutions even in the long run, with specialists that may be able to moderate or avoid sudden depreciations in the moment as well as their harmful effects on the economy.

Appendix A4

Table A4- 1: Data description

Variables	Name	Definitions	Data Source
Real Exchange Rate	Δq_{it}	The real exchange rate is constructed as per the Purchasing Power Parity (PPP) theory.	-
Industrial Production Growth Differential (IPI)	$ip_{it} - ip_{it}^{*}$	The Industrial Production Index (IPI) measures the real production output of various sectors such as manufacturing, mining, electricity, energy supply among others. The growth values are obtained from the log differences of domestic and US IPI individually. The differential is then obtained by subtracting the US IPI growth from that of the domestic IPI.	Datasteam
Real Interest Rate Differential	$r_{it} - r_{it}^{*}$	The rate of interest employed is the central bank policy rate. For countries where data was unavailable, the money market rate is used. The nominal interest rates are converted to real interest rates by adjusting for inflation to reflect the real returns on investment. The differential is obtained by subtracting the US real interest rate from the domestic real interest rate.	Datasteam
Money supply M2 Growth Differential	$m_{it} - m_{it}^{*}$	Money Supply M2 is a broader classification than M1, consisting of cash, saving accounts deposits, money market funds and other deposits and easily convertible near money. The growth values are obtained from the log differences of domestic and US M2 individually. The differential is then obtained by subtracting the US M2 growth from that of the domestic M2.	Datasteam
Terms of Trade Differential	$tot_{it} - tot_{it}^{*}$	Terms of trade is the ratio between export price index and import price index. The variable is at level and the differential is obtained by subtracting the US TOT from the domestic TOT.	Datasteam
Government Spending Growth Differential	$gs_{it} - gs_{it}^{*}$	Government spending is the expenditure incurred by general government on both individual-consumption goods and services and collective-consumption services. The growth values are obtained from the log differences of domestic and US government spending individually. The differential is then obtained by subtracting the US government spending growth from that of the domestic government spending	Datasteam
Productivity Growth Differential	$p_{it} - p_{it}^{*}$	The index used is productivity trend and is defined as the volume of goods and services per employed person. The growth values are obtained from the log differences of domestic and US productivity individually. The differential is then obtained by subtracting the US productivity from the domestic productivity.	Datasteam
S&P Commodity Price Index	COM_{it}	The S&P GSCI (Goldman Sachs Commodity Index) total return index in USD is a composite index of the commodity sector returns which represents the lending measure of general commodity price movements. The index is calculated based on weighted global production levels and comprises of the principle commodities futures contracts.	Bloomberg

VIX Volatility Index	VIX_{it}	The Chicago Board Options Exchange (CBOE) volatility index measures the market's expectation of future volatility implied by options prices. The index used is the close price and is quoted in percentage points.	CBOE Global Markets
Capital Control Dummy	$CAPCON_{it}$	A market-based dummy taking the value of 1 if the market has capital controls (dual/multiple/parallel rates), or 0 if the market is unified, i.e. no capital controls.	Ilzetzki et al. (2019)
Quantitative Easing	$QE1_{it,}QE2_{it}$, $QE3_{it}$	A set of dummy variables to represent the three episodes of the US quantitative easing programs. QE1 takes the value of 1 from December 2008 to March 2010, 0 otherwise. QE2 takes the value of 1 from November 2010 to June 2011, 0 otherwise. QE3 takes the value of 1 from September 2012 to December 2013, 0 otherwise.	-
Foreign Direct Investment (% of GDP)	FDIGDP	Net inflows in the reporting economy from foreign investors measured as the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments	Datastream
Bank Flows (% of GDP)	BFGDP	Aggregate lending flows to banks in the host country, where flows are estimated changes in the reported stocks and include interbank deposits and loans.	IBL, Bank of International Settlement
FDI Volatility	$\sigma_{it,FDI}$	Volatility series of FDIGDP estimated using a suitable ARIMA(p, d, q) model for each country in the sample. Data taken from the previous chapter.	-
Bank Flow Volatility	$\sigma_{it,BF}$	Volatility series of BFGDP estimated using a suitable ARIMA(p, d, q) model for each country in the sample. Data taken from the previous chapter.	-
Government Stability	$\mathrm{GOVST_{it}}$	The index is composed of government unity, legislative strength and popular support and is based on a weight of 12 points.	ICRG, The PRS Group
Socioeconomic Conditions	$\mathrm{SOCIO_{it}}$	The index is composed of unemployment, consumer confidence and poverty and is based on a weight of 12 points.	ICRG, The PRS Group
Investment Profile	$\mathrm{INVEST_{it}}$	The index is composed of contract viability, expropriation, profits repatriation and payment delays and is based on a weight of 12 points.	ICRG, The PRS Group
Internal Conflict	$\mathrm{INCON_{it}}$	The index is composed of civil wars, coups, terrorism, political violence and civil disorder and is based on a weight of 12 points.	ICRG, The PRS Group
External Conflict	$\mathrm{EXCON_{it}}$	The index is composed of cross-border violent and non-violent pressure, such as, cross-border conflicts and foreign diplomatic pressures and is based on a weight of 12 points.	ICRG, The PRS Group
Corruption	$\mathrm{CORR_{it}}$	The index is based on actual or potential corruption within the political system such as "excessive patronage, nepotism, job reservations 'favor-for-favors', secret party funding, and suspiciously close ties between politics and business". It is based on a weight of 6 point.	ICRG, The PRS Group
Military in Politics	$\mathrm{MILIT_{it}}$	The index is based on the degree of military participation in politics and is based on a weight of 6 points	ICRG, The PRS Group

Religious Tensions	$RELIG_{it}$	This index reflects tensions arising from religion groups seeking to overpower and rule society by replacing civil laws by religious laws. It is based on a weight of 6 points.	ICRG, The PRS Group
Law and Order	LAW_{it}	Law is constructed according to the strength and fairness of the legal system and Order reflects the degree of compliance to law. The index is based on a weight of 6 points.	ICRG, The PRS Group
Ethnic Tensions	$ETHNIC_{it}$	This index represents the level of tensions caused by racial, nationality or language differences in a country. It is based on a weight of 6 points.	ICRG, The PRS Group
Democratic Accountability	$DEMOC_{it}$	The index indicates the type of political system preferred in a country ranging from types of democracy to autocracy and is based on a weight of 6 points	ICRG, The PRS Group
Bureaucracy Quality	BUR_{it}	The index on the strength and ability of countries to withstand government changes and is based on a weight of 6 points	ICRG, The PRS Group

Table A4- 2: Aggregate political risk rating in 2018

High Risk Bank (0-59)		**Moderate Risk Band (60-69)**		**Low Risk Band (70-100)**	
Countries	**Aggregate**	**Countries**	**Aggregate**	**Countries**	**Aggregate**
Nigeria	45.92	Philippines	60.5	Malaysia	71.46
Pakistan	50.96	India	61.29	Chile	74.96
Turkey	51.7	Mexico	61.58	Poland	76.42
Thailand	56.5	Columbia	61.92	South Korea	78.54
Russia	58.63	Indonesia	63.29	Hungary	79.46
China	59.5	Brazil	63.50	Czech Republic	79.63
		Peru	64.79	Taiwan	80.33
		Argentina	65.63	Singapore	81.25
		Romania	65.75		
		South Africa	65.88		
		Israel	67.29		

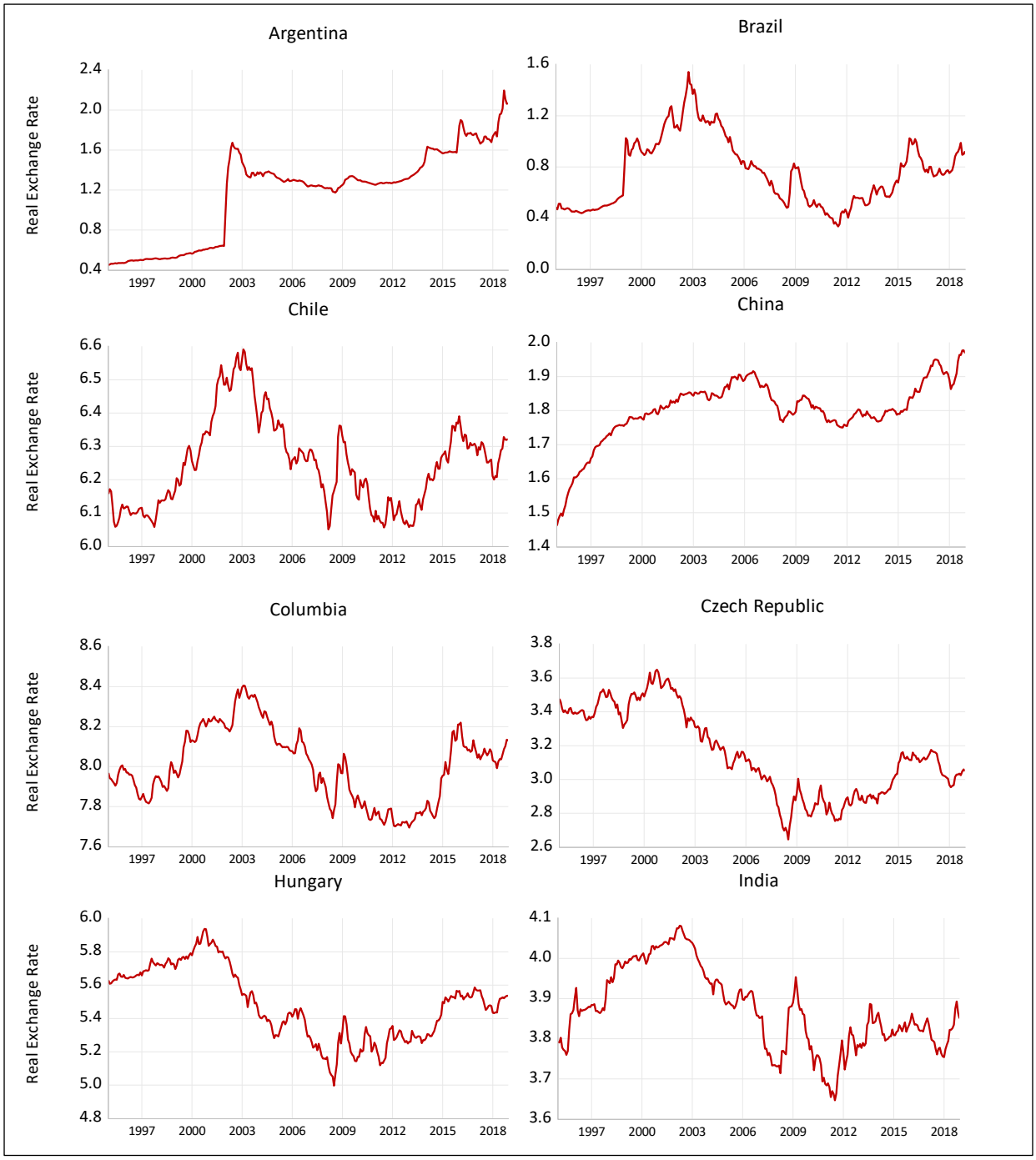

Figure A4-1. 1:The graphs of the real exchange rates of each country in the sample over the period of 1995 to 2018.

Figure A4-1. 2: (continued): The graphs of the real exchange rates of each country in the sample over the period of 1995 to 2018.

Figure A4-1. 3: (continued): The graphs of the real exchange rates of each country in the sample over the period of 1995 to 2018.

Table A4- 3: Regression results of government stability effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
Δq_{it-1}	0.239***	0.233***	0.230***	0.225***	0.224***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-2}	-0.073***	-0.076***	-0.065***	-0.061***	-0.063***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-5}	0.024**	0.021*	0.020*	0.028**	0.028**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$ip_{it} - ip_{it}^{*}$	-0.001	-0.003	-0.002	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$r_{it} - r_{it}^{*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$m_{it} - m_{it}^{*}$	0.018*	0.018*	0.024**	0.028**	0.028**
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$tot_{it} - tot_{it}^{*}$	-0.004***	-0.004**	-0.004**	-0.003*	-0.004*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$gs_{it} - gs_{it}^{*}$		-0.006	-0.008	-0.008	-0.008
		(0.007)	(0.007)	(0.007)	(0.008)
$p_{it} - p_{it}^{*}$		0.016	0.009	0.005	-0.001
		(0.015)	(0.014)	(0.016)	(0.016)
COM_{it}		-0.057***	-0.034***	-0.037***	-0.037***
		(0.006)	(0.006)	(0.007)	(0.007)
VIX_{it}			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\sigma_{it,FDI}$				0.001	0.001
				(0.000)	(0.000)
$\sigma_{it,BF}$				0.001	0.001
				(0.000)	(0.000)
$CAPCON_{it}$					0.004
					(0.002)
$QE1_{it}$					-0.002
					(0.002)
$QE2_{it}$					-0.002
					(0.003)
$QE3_{it}$					-0.000
					(0.002)
$GOVST_{it}$	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$GOVST_{it-1}$	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$GOVST_{it-2}$	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

(Table A4-3 continued)

Variables					
$\mathbf{GOVST_{it-3}}$	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{GOVST_{it-4}}$	-0.002**	-0.002**	-0.001*	-0.001*	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{GOVST_{it-5}}$	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{GOVST_{it-6}}$	0.000	0.000	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{GOVST_{it-7}}$	-0.002**	-0.002**	-0.002**	-0.002**	-0.002**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{GOVST_{it-8}}$	0.001	0.001	0.000	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{GOVST_{it-9}}$	0.001*	0.001*	0.001*	0.001*	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{GOVST_{it-10}}$	0.000	0.000	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{GOVST_{it-11}}$	0.000	0.000	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{GOVST_{it-12}}$	0.001	0.001	0.002	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	0.001	0.001	0.002	0.003	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.067	0.078	0.098	0.105	0.106

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^{*}$, $r_{it} - r_{it}^{*}$, $m_{it} - m_{it}^{*}$, $tot_{it} - tot_{it}^{*}$, $gs_{it} - gs_{it}^{*}$ and $p_{it} - p_{it}^{*}$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $GOVST_{it}$, $GOVST_{it-1}$, $GOVST_{it-2}$, $GOVST_{it-3}$, $GOVST_{it-4}$, $GOVST_{it-5}$, $GOVST_{it-6}$, $GOVST_{it-7}$, $GOVST_{it-8}$, $GOVST_{it-9}$, $GOVST_{it-10}$, $GOVST_{it-11}$ and $GOVST_{it-12}$ represent government stability at time t and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 4: Regression results of socioeconomic conditions effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
Δq_{it-1}	0.235***	0.228***	0.226***	0.221***	0.220***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-2}	-0.073***	-0.076***	-0.064***	-0.061***	-0.062***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-5}	0.025**	0.021*	0.021*	0.028**	0.028**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$ip_{it} - ip_{it}^{*}$	-0.001	-0.003	-0.002	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$r_{it} - r_{it}^{*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$m_{it} - m_{it}^{*}$	0.018*	0.018*	0.024**	0.028***	0.028**
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$tot_{it} - tot_{it}^{*}$	-0.004**	-0.003**	-0.003**	-0.003	-0.003*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$gs_{it} - gs_{it}^{*}$		-0.006	-0.008	-0.008	-0.009
		(0.007)	(0.007)	(0.007)	(0.008)
$p_{it} - p_{it}^{*}$		0.020	0.013	0.008	0.002
		(0.015)	(0.014)	(0.016)	(0.016)
COM_{it}		-0.057***	-0.035***	-0.039***	-0.038***
		(0.006)	(0.006)	(0.007)	(0.007)
VIX_{it}			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\sigma_{it,FDI}$				0.001	0.001
				(0.000)	(0.000)
$\sigma_{it,BF}$				0.001	0.001
				(0.000)	(0.000)
$CAPCON_{it}$					0.004
					(0.002)
$QE1_{it}$					-0.002
					(0.002)
$QE2_{it}$					-0.002
					(0.003)
$QE3_{it}$					-0.000
					(0.002)
$SOCIO_{it}$	-0.005***	-0.005***	-0.004**	-0.005***	-0.003*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$SOCIO_{it-1}$	-0.002	-0.003	-0.002	-0.002	-0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)

(Table A4-4 continued)

Variables					
$\mathbf{SOCIO_{it-2}}$	-0.003*	-0.003*	-0.003*	-0.003*	-0.004*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{SOCIO_{it-3}}$	-0.000	0.000	0.001	0.001	0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{SOCIO_{it-4}}$	-0.001	-0.001	-0.002	-0.002	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{SOCIO_{it-5}}$	0.001	0.001	0.001	0.001	0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{SOCIO_{it-6}}$	-0.004***	-0.005***	-0.004**	-0.004**	-0.005***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{SOCIO_{it-7}}$	-0.002	-0.002	-0.002	-0.002	-0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{SOCIO_{it-8}}$	0.001	0.000	0.001	0.000	0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{SOCIO_{it-9}}$	0.002	0.002	0.002	0.002	0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{SOCIO_{it-10}}$	0.004**	0.004***	0.004***	0.004**	0.006***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{SOCIO_{it-11}}$	0.007***	0.007***	0.006***	0.006***	0.007***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{SOCIO_{it-12}}$	0.003*	0.003*	0.003*	0.003*	0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Constant	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.067	0.079	0.098	0.106	0.107

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^{*}$, $r_{it} - r_{it}^{*}$, $m_{it} - m_{it}^{*}$, $tot_{it} - tot_{it}^{*}$, $gs_{it} - gs_{it}^{*}$ and $p_{it} - p_{it}^{*}$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $SOCIO_{it}$, $SOCIO_{it-1}$, $SOCIO_{it-2}$, $SOCIO_{it-3}$, $SOCIO_{it-4}$, $SOCIO_{it-5}$, $SOCIO_{it-6}$, $SOCIO_{it-7}$, $SOCIO_{it-8}$, $SOCIO_{it-9}$, $SOCIO_{it-10}$, $SOCIO_{it-11}$ and $SOCIO_{it-12}$ represent socioeconomic conditions at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 5: Regression results of investment profile effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
$\Delta \mathbf{q_{it-1}}$	0.235***	0.228***	0.225***	0.221***	0.219***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
$\Delta \mathbf{q_{it-2}}$	-0.069***	-0.073***	-0.060***	-0.056***	-0.057***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
$\Delta \mathbf{q_{it-5}}$	0.020*	0.016	0.015	0.023*	0.023*
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$\mathbf{ip_{it} - ip_{it}^*}$	-0.001	-0.003	-0.002	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$\mathbf{r_{it} - r_{it}^*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$\mathbf{m_{it} - m_{it}^*}$	0.016	0.016	0.023**	0.027**	0.027**
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$\mathbf{tot_{it} - tot_{it}^*}$	-0.004**	-0.004**	-0.004**	-0.003*	-0.004*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{gs_{it} - gs_{it}^*}$		-0.005	-0.007	-0.007	-0.007
		(0.007)	(0.007)	(0.007)	(0.008)
$\mathbf{p_{it} - p_{it}^*}$		0.016	0.009	0.005	-0.002
		(0.015)	(0.014)	(0.016)	(0.016)
$\mathbf{COM_{it}}$		-0.056***	-0.033***	-0.036***	-0.036***
		(0.006)	(0.006)	(0.007)	(0.007)
$\mathbf{VIX_{it}}$			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\boldsymbol{\sigma_{it,FDI}}$				0.001	0.001
				(0.000)	(0.000)
$\boldsymbol{\sigma_{it,BF}}$				0.001	0.001
				(0.000)	(0.000)
$\mathbf{CAPCON_{it}}$					0.004
					(0.002)
$\mathbf{QE1_{it}}$					-0.002
					(0.002)
$\mathbf{QE2_{it}}$					-0.002
					(0.003)
$\mathbf{QE3_{it}}$					-0.000
					(0.002)
$\mathbf{INVEST_{it}}$	-0.006***	-0.006***	-0.006***	-0.006***	-0.006***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{INVEST_{it-1}}$	-0.003**	-0.003**	-0.003**	-0.003**	-0.003**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)

(Table A4-5 continued)

Variables					
$INVEST_{it-2}$	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$INVEST_{it-3}$	0.002	0.002	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$INVEST_{it-4}$	-0.000	-0.000	0.000	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$INVEST_{it-5}$	-0.000	-0.000	-0.001	-0.002	-0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$INVEST_{it-6}$	-0.007***	-0.007***	-0.006***	-0.007***	-0.007***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$INVEST_{it-7}$	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$INVEST_{it-8}$	0.000	0.000	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$INVEST_{it-9}$	0.002*	0.002	0.002**	0.002**	0.003**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$INVEST_{it-10}$	0.003***	0.003***	0.003***	0.003***	0.003***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$INVEST_{it-11}$	0.000	0.000	0.000	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$INVEST_{it-12}$	0.001	0.000	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.072	0.083	0.103	0.110	0.111

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^{*}$, $r_{it} - r_{it}^{*}$, $m_{it} - m_{it}^{*}$, $tot_{it} - tot_{it}^{*}$, $gs_{it} - gs_{it}^{*}$ and $p_{it} - p_{it}^{*}$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $INVEST_{it}$, $INVEST_{it-1}$, $INVEST_{it-2}$, $INVEST_{it-3}$, $INVEST_{it-4}$, $INVEST_{it-5}$, $INVEST_{it-6}$, $INVEST_{it-7}$, $INVEST_{it-8}$, $INVEST_{it-9}$, $INVEST_{it-10}$, $INVEST_{it-11}$ and $INVEST_{it-12}$ represent investment profile at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 6: Regression results of internal conflicts effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
Δq_{it-1}	0.241***	0.234***	0.232***	0.227***	0.226***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-2}	-0.072***	-0.075***	-0.063***	-0.060***	-0.061***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-5}	0.025**	0.022*	0.022*	0.029**	0.029**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$ip_{it} - ip_{it}^{*}$	-0.001	-0.003	-0.002	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$r_{it} - r_{it}^{*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$m_{it} - m_{it}^{*}$	0.017	0.017	0.023**	0.027**	0.027**
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$tot_{it} - tot_{it}^{*}$	-0.004**	-0.003**	-0.003**	-0.003	-0.003*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$gs_{it} - gs_{it}^{*}$		-0.006	-0.008	-0.008	-0.009
		(0.007)	(0.007)	(0.007)	(0.008)
$p_{it} - p_{it}^{*}$		0.020	0.013	0.009	0.002
		(0.015)	(0.014)	(0.016)	(0.016)
COM_{it}		-0.056***	-0.034***	-0.037***	-0.037***
		(0.006)	(0.006)	(0.007)	(0.007)
VIX_{it}			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\sigma_{it,FDI}$				0.001	0.001
				(0.000)	(0.000)
$\sigma_{it,BF}$				0.001	0.001
				(0.000)	(0.000)
$CAPCON_{it}$					0.004*
					(0.002)
$QE1_{it}$					-0.002
					(0.002)
$QE2_{it}$					-0.002
					(0.003)
$QE3_{it}$					-0.000
					(0.002)
$INCON_{it}$	-0.004***	-0.004***	-0.004***	-0.004***	-0.004**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
$INCON_{it-1}$	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)

(Table A4-6 continued)

Variables					
$\mathbf{INCON_{it-2}}$	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
$\mathbf{INCON_{it-3}}$	0.005***	0.005***	0.004***	0.004***	0.004***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
$\mathbf{INCON_{it-4}}$	-0.000	-0.000	-0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{INCON_{it-5}}$	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{INCON_{it-6}}$	-0.001	-0.001	-0.001	-0.002	-0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{INCON_{it-7}}$	0.002	0.002	0.002	0.002	0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{INCON_{it-8}}$	-0.002	-0.001	-0.001	-0.002	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{INCON_{it-9}}$	-0.000	-0.001	-0.000	-0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{INCON_{it-10}}$	-0.002	-0.002	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{INCON_{it-11}}$	0.002	0.002	0.002	0.002	0.002
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
$\mathbf{INCON_{it-12}}$	0.000	0.000	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.064	0.075	0.095	0.102	0.103

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^{*}$, $r_{it} - r_{it}^{*}$, $m_{it} - m_{it}^{*}$, $tot_{it} - tot_{it}^{*}$, $gs_{it} - gs_{it}^{*}$ and $p_{it} - p_{it}^{*}$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $INCON_{it}$, $INCON_{it-1}$, $INCON_{it-2}$, $INCON_{it-3}$, $INCON_{it-4}$, $INCON_{it-5}$, $INCON_{it-6}$, $INCON_{it-7}$, $INCON_{it-8}$, $INCON_{it-9}$, $INCON_{it-10}$, $INCON_{it-11}$ and $INCON_{it-12}$ represent internal conflicts at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 7: Regression results of external conflicts effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
$\Delta \mathbf{q_{it-1}}$	0.241***	0.235***	0.232***	0.227***	0.226***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
$\Delta \mathbf{q_{it-2}}$	-0.071***	-0.075***	-0.063***	-0.059***	-0.060***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
$\Delta \mathbf{q_{it-5}}$	0.025**	0.021*	0.020*	0.028**	0.028**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$\mathbf{ip_{it} - ip_{it}^*}$	-0.001	-0.003	-0.002	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$\mathbf{r_{it} - r_{it}^*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$\mathbf{m_{it} - m_{it}^*}$	0.016	0.016	0.022**	0.026**	0.027**
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$\mathbf{tot_{it} - tot_{it}^*}$	-0.004**	-0.003*	-0.003**	-0.003	-0.003*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$\mathbf{gs_{it} - gs_{it}^*}$		-0.007	-0.009	-0.009	-0.009
		(0.007)	(0.007)	(0.007)	(0.008)
$\mathbf{p_{it} - p_{it}^*}$		0.017	0.010	0.006	-0.000
		(0.015)	(0.014)	(0.016)	(0.016)
$\mathbf{COM_{it}}$		-0.058***	-0.035***	-0.038***	-0.038***
		(0.006)	(0.006)	(0.007)	(0.007)
$\mathbf{VIX_{it}}$			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\boldsymbol{\sigma_{it,FDI}}$				0.001	0.001
				(0.000)	(0.000)
$\boldsymbol{\sigma_{it,BF}}$				0.001	0.001
				(0.000)	(0.000)
$\mathbf{CAPCON_{it}}$					0.004*
					(0.002)
$\mathbf{QE1_{it}}$					-0.002
					(0.002)
$\mathbf{QE2_{it}}$					-0.002
					(0.003)
$\mathbf{QE3_{it}}$					-0.000
					(0.002)
$\mathbf{EXCON_{it}}$	-0.002	-0.002	-0.002	-0.002	-0.002
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-1}}$	0.007***	0.007***	0.007***	0.007***	0.008***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)

(Table A4-7 continued)

Variables					
$\mathbf{EXCON_{it-2}}$	0.000	-0.000	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-3}}$	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-4}}$	0.004**	0.004***	0.004***	0.004***	0.004***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-5}}$	0.000	0.000	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-6}}$	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-7}}$	-0.000	-0.000	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-8}}$	0.002	0.002	0.002	0.002	0.002
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-9}}$	0.001	0.001	0.001	0.002	0.002
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-10}}$	0.001	0.001	0.002	0.002	0.002
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-11}}$	-0.004***	-0.004***	-0.004**	-0.004**	-0.004**
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
$\mathbf{EXCON_{it-12}}$	0.001	0.001	0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
Constant	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.066	0.078	0.098	0.105	0.106

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^{*}$, $r_{it} - r_{it}^{*}$, $m_{it} - m_{it}^{*}$, $tot_{it} - tot_{it}^{*}$, $gs_{it} - gs_{it}^{*}$ and $p_{it} - p_{it}^{*}$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $EXCON_{it}$, $EXCON_{it-1}$, $EXCON_{it-2}$, $EXCON_{it-3}$, $EXCON_{it-4}$, $EXCON_{it-5}$, $EXCON_{it-6}$, $EXCON_{it-7}$, $EXCON_{it-8}$, $EXCON_{it-9}$, $EXCON_{it-10}$, $EXCON_{it-11}$ and $EXCON_{it-12}$ represent external conflicts at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 8:Regression results of corruption effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
Δq_{it-1}	0.241***	0.234***	0.232***	0.227***	0.226***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-2}	-0.071***	-0.074***	-0.062***	-0.059***	-0.059***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-5}	0.022*	0.019	0.018	0.025**	0.026**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$ip_{it} - ip_{it}^{*}$	-0.001	-0.002	-0.001	-0.001	-0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$r_{it} - r_{it}^{*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$m_{it} - m_{it}^{*}$	0.017*	0.018*	0.024**	0.028**	0.028***
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$tot_{it} - tot_{it}^{*}$	-0.004**	-0.003*	-0.003*	-0.002	-0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$gs_{it} - gs_{it}^{*}$		-0.007	-0.008	-0.008	-0.009
		(0.007)	(0.007)	(0.007)	(0.008)
$p_{it} - p_{it}^{*}$		0.020	0.013	0.009	0.003
		(0.015)	(0.014)	(0.016)	(0.016)
COM_{it}		-0.057***	-0.033***	-0.036***	-0.036***
		(0.006)	(0.006)	(0.007)	(0.007)
VIX_{it}			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\sigma_{it,FDI}$				0.001	0.001
				(0.000)	(0.000)
$\sigma_{it,BF}$				0.001	0.001
				(0.000)	(0.000)
$CAPCON_{it}$					0.004
					(0.002)
$QE1_{it}$					-0.002
					(0.002)
$QE2_{it}$					-0.002
					(0.003)
$QE3_{it}$					-0.000
					(0.002)
$CORR_{it}$	-0.004	-0.004	-0.004	-0.004	-0.002
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
$CORR_{it-1}$	0.001	0.001	0.001	0.001	-0.002
	(0.003)	(0.003)	(0.002)	(0.003)	(0.004)

(Table A4-8 continued)

Variables					
$\mathbf{CORR_{it-2}}$	-0.000	-0.000	-0.000	-0.000	-0.002
	(0.003)	(0.003)	(0.002)	(0.003)	(0.004)
$\mathbf{CORR_{it-3}}$	0.002	0.001	0.001	0.001	0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
$\mathbf{CORR_{it-4}}$	-0.001	-0.002	-0.001	-0.000	-0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
$\mathbf{CORR_{it-5}}$	0.003	0.003	0.004	0.003	0.003
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
$\mathbf{CORR_{it-6}}$	-0.013***	-0.013***	-0.013***	-0.014***	-0.019***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
$\mathbf{CORR_{it-7}}$	-0.003	-0.003	-0.003	-0.003	-0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.004)
$\mathbf{CORR_{it-8}}$	0.000	0.001	0.001	0.002	0.005
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{CORR_{it-9}}$	0.001	0.000	0.000	0.000	0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{CORR_{it-10}}$	0.002	0.002	0.003	0.002	0.003
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{CORR_{it-11}}$	-0.008**	-0.008**	-0.008***	-0.008**	-0.009**
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{CORR_{it-12}}$	0.003	0.002	0.001	0.001	0.002
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Constant	0.001	0.000	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.065	0.076	0.097	0.105	0.106

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^{*}$, $r_{it} - r_{it}^{*}$, $m_{it} - m_{it}^{*}$, $tot_{it} - tot_{it}^{*}$, $gs_{it} - gs_{it}^{*}$ and $p_{it} - p_{it}^{*}$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $CORR_{it}$, $CORR_{it-1}$, $CORR_{it-2}$, $CORR_{it-3}$, $CORR_{it-4}$, $CORR_{it-5}$, $CORR_{it-6}$, $CORR_{it-7}$, $CORR_{it-8}$, $CORR_{it-9}$, $CORR_{it-10}$, $CORR_{it-11}$ and $CORR_{it-12}$ represent corruption at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 9: Regression results of military in politics effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
Δq_{it-1}	0.241***	0.235***	0.232***	0.227***	0.226***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-2}	-0.072***	-0.076***	-0.064***	-0.060***	-0.061***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-5}	0.020*	0.017	0.017	0.024*	0.024*
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$ip_{it} - ip_{it}^{*}$	-0.001	-0.002	-0.001	-0.001	-0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$r_{it} - r_{it}^{*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$m_{it} - m_{it}^{*}$	0.018*	0.018*	0.024**	0.028***	0.028***
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$tot_{it} - tot_{it}^{*}$	-0.004***	-0.004**	-0.004**	-0.003*	-0.004**
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$gs_{it} - gs_{it}^{*}$		-0.008	-0.009	-0.010	-0.010
		(0.007)	(0.007)	(0.007)	(0.008)
$p_{it} - p_{it}^{*}$		0.020	0.013	0.009	0.003
		(0.015)	(0.014)	(0.016)	(0.016)
COM_{it}		-0.056***	-0.033***	-0.036***	-0.036***
		(0.006)	(0.006)	(0.007)	(0.007)
VIX_{it}			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\sigma_{it,FDI}$				0.001	0.001
				(0.000)	(0.000)
$\sigma_{it,BF}$				0.001	0.001
				(0.000)	(0.000)
$CAPCON_{it}$					0.004
					(0.002)
$QE1_{it}$					-0.002
					(0.002)
$QE2_{it}$					-0.002
					(0.003)
$QE3_{it}$					-0.000
					(0.002)
$MILIT_{it}$	-0.007	-0.007	-0.008*	-0.008*	-0.008*
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$MILIT_{it-1}$	0.007	0.007	0.007*	0.007*	0.007
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)

(Table A4-9 continued)

Variables					
$\mathbf{MILIT_{it-2}}$	-0.001	-0.001	-0.001	-0.001	-0.000
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{MILIT_{it-3}}$	0.030***	0.030***	0.030***	0.031***	0.031***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{MILIT_{it-4}}$	-0.009**	-0.009**	-0.009**	-0.010**	-0.010**
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{MILIT_{it-5}}$	-0.002	-0.002	-0.003	-0.003	-0.003
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{MILIT_{it-6}}$	0.005	0.005	0.005	0.005	0.005
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{MILIT_{it-7}}$	0.008*	0.008*	0.008*	0.007*	0.008*
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{MILIT_{it-8}}$	0.010**	0.010**	0.010**	0.010**	0.010**
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{MILIT_{it-9}}$	0.011***	0.012***	0.012***	0.012***	0.013***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{MILIT_{it-10}}$	-0.002	-0.002	-0.002	-0.002	-0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{MILIT_{it-11}}$	0.002	0.001	0.001	0.001	0.000
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{MILIT_{it-12}}$	0.007	0.005	0.006	0.007	0.007
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Constant	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.071	0.083	0.104	0.111	0.112

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^{*}$, $r_{it} - r_{it}^{*}$, $m_{it} - m_{it}^{*}$, $tot_{it} - tot_{it}^{*}$, $gs_{it} - gs_{it}^{*}$ and $p_{it} - p_{it}^{*}$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $MILIT_{it}$, $MILIT_{it-1}$, $MILIT_{it-2}$, $MILIT_{it-3}$, $MILIT_{it-4}$, $MILIT_{it-5}$, $MILIT_{it-6}$, $MILIT_{it-7}$, $MILIT_{it-8}$, $MILIT_{it-9}$, $MILIT_{it-10}$, $MILIT_{it-11}$ and $MILIT_{it-12}$ represent military in politics at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 10: Regression results of religious tensions effects on real exchange rate

Variables	(1)	(2)	(3)	(4)	(5)
Δq_{it-1}	0.240***	0.234***	0.231***	0.227***	0.226***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-2}	-0.070***	-0.074***	-0.062***	-0.059***	-0.060***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-5}	0.024**	0.020*	0.020*	0.028**	0.028**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$ip_{it} - ip_{it}^{*}$	-0.001	-0.002	-0.002	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$r_{it} - r_{it}^{*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$m_{it} - m_{it}^{*}$	0.018*	0.018*	0.024**	0.028***	0.029***
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$tot_{it} - tot_{it}^{*}$	-0.004**	-0.003*	-0.003*	-0.003	-0.003*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$gs_{it} - gs_{it}^{*}$		-0.006	-0.008	-0.008	-0.008
		(0.007)	(0.007)	(0.007)	(0.008)
$p_{it} - p_{it}^{*}$		0.021	0.014	0.009	0.002
		(0.015)	(0.014)	(0.016)	(0.016)
COM_{it}		-0.057***	-0.034***	-0.037***	-0.037***
		(0.006)	(0.006)	(0.007)	(0.007)
VIX_{it}			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\sigma_{it,FDI}$				0.001	0.001
				(0.000)	(0.000)
$\sigma_{it,BF}$				0.001	0.001
				(0.000)	(0.000)
$CAPCON_{it}$					0.004
					(0.002)
$QE1_{it}$					-0.002
					(0.002)
$QE2_{it}$					-0.002
					(0.003)
$QE3_{it}$					-0.000
					(0.002)
$RELIG_{it}$	-0.001	0.001	0.001	0.001	0.001
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
$RELIG_{it-1}$	-0.000	-0.001	-0.001	-0.003	-0.004
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)

(Table A4-10 continued)

Variables					
$\mathbf{RELIG_{it-2}}$	0.000	0.000	0.001	0.001	0.001
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
$\mathbf{RELIG_{it-3}}$	-0.000	-0.001	-0.000	-0.000	-0.001
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
$\mathbf{RELIG_{it-4}}$	-0.004	-0.005	-0.005	-0.005	-0.005
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
$\mathbf{RELIG_{it-5}}$	0.006	0.006	0.007	0.007	0.007
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
$\mathbf{RELIG_{it-6}}$	0.003	0.003	0.002	0.002	0.003
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
$\mathbf{RELIG_{it-7}}$	-0.006	-0.006	-0.006	-0.006	-0.005
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
$\mathbf{RELIG_{it-8}}$	-0.001	-0.001	-0.001	-0.001	-0.000
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
$\mathbf{RELIG_{it-9}}$	-0.002	-0.003	-0.002	-0.003	-0.003
	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
$\mathbf{RELIG_{it-10}}$	-0.008*	-0.008*	-0.007	-0.008*	-0.008*
	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
$\mathbf{RELIG_{it-11}}$	0.002	0.002	0.002	0.002	0.002
	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
$\mathbf{RELIG_{it-12}}$	0.001	0.001	0.001	0.000	0.001
	(0.004)	(0.004)	(0.004)	(0.005)	(0.005)
Constant	0.001	0.001	0.000	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.061	0.073	0.093	0.100	0.101

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^*$, $r_{it} - r_{it}^*$, $m_{it} - m_{it}^*$, $tot_{it} - tot_{it}^*$, $gs_{it} - gs_{it}^*$ and $p_{it} - p_{it}^*$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $RELIG_{it}$, $RELIG_{it-1}$, $RELIG_{it-2}$, $RELIG_{it-3}$, $RELIG_{it-4}$, $RELIG_{it-5}$, $RELIG_{it-6}$, $RELIG_{it-7}$, $RELIG_{it-8}$, $RELIG_{it-9}$, $RELIG_{it-10}$, $RELIG_{it-11}$ and $RELIG_{it-12}$ represent religious tensions at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 11: Regression results of law and order effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
Δq_{it-1}	0.240***	0.234***	0.231***	0.227***	0.226***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-2}	-0.072***	-0.075***	-0.064***	-0.060***	-0.061***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-5}	0.023*	0.020*	0.020*	0.027**	0.028**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$ip_{it} - ip_{it}^{*}$	-0.001	-0.002	-0.002	-0.001	-0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$r_{it} - r_{it}^{*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$m_{it} - m_{it}^{*}$	0.017	0.017*	0.023**	0.027**	0.027**
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$tot_{it} - tot_{it}^{*}$	-0.004**	-0.003*	-0.003*	-0.003	-0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$gs_{it} - gs_{it}^{*}$		-0.006	-0.008	-0.008	-0.008
		(0.007)	(0.007)	(0.007)	(0.008)
$p_{it} - p_{it}^{*}$		0.021	0.014	0.009	0.003
		(0.015)	(0.014)	(0.016)	(0.016)
COM_{it}		-0.056***	-0.033***	-0.036***	-0.036***
		(0.006)	(0.006)	(0.007)	(0.007)
VIX_{it}			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\sigma_{it,FDI}$				0.001	0.001
				(0.000)	(0.000)
$\sigma_{it,BF}$				0.001	0.001
				(0.000)	(0.000)
$CAPCON_{it}$					0.003
					(0.002)
$QE1_{it}$					-0.002
					(0.002)
$QE2_{it}$					-0.002
					(0.003)
$QE3_{it}$					-0.000
					(0.002)
LAW_{it}	-0.012***	-0.012***	-0.011***	-0.012***	-0.012***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)
LAW_{it-1}	-0.000	-0.000	-0.001	0.002	0.003
	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)

(Table A4-11 continued)

Variables					
$\mathbf{LAW_{it-2}}$	-0.005	-0.005	-0.005	-0.005	-0.005
	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)
$\mathbf{LAW_{it-3}}$	-0.010**	-0.010**	-0.010**	-0.011**	-0.012***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)
$\mathbf{LAW_{it-4}}$	0.002	0.003	0.003	0.003	0.003
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{LAW_{it-5}}$	0.004	0.005	0.005	0.006	0.007
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{LAW_{it-6}}$	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{LAW_{it-7}}$	0.005	0.005	0.004	0.005	0.005
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{LAW_{it-8}}$	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{LAW_{it-9}}$	0.003	0.003	0.002	0.004	0.004
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{LAW_{it-10}}$	-0.006	-0.006	-0.006	-0.004	-0.005
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{LAW_{it-11}}$	-0.003	-0.002	-0.003	-0.002	-0.002
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{LAW_{it-12}}$	-0.006	-0.006	-0.005	-0.005	-0.006
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Constant	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.063	0.075	0.095	0.102	0.103

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^*$, $r_{it} - r_{it}^*$, $m_{it} - m_{it}^*$, $tot_{it} - tot_{it}^*$, $gs_{it} - gs_{it}^*$ and $p_{it} - p_{it}^*$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. LAW_{it}, LAW_{it-1}, LAW_{it-2}, LAW_{it-3}, LAW_{it-4}, LAW_{it-5}, LAW_{it-6}, LAW_{it-7}, LAW_{it-8}, LAW_{it-9}, LAW_{it-10}, LAW_{it-11} and LAW_{it-12} represent law and order at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 12: Regression results of ethnic tensions effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
Δq_{it-1}	0.240***	0.233***	0.230***	0.226***	0.225***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-2}	-0.067***	-0.071***	-0.059***	-0.056***	-0.056***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-5}	0.024**	0.021*	0.021*	0.028**	0.029**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$ip_{it} - ip_{it}^{*}$	-0.001	-0.003	-0.002	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$r_{it} - r_{it}^{*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$m_{it} - m_{it}^{*}$	0.018*	0.018*	0.024**	0.027**	0.028**
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$tot_{it} - tot_{it}^{*}$	-0.004**	-0.003*	-0.003**	-0.003	-0.003*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$gs_{it} - gs_{it}^{*}$		-0.007	-0.009	-0.009	-0.010
		(0.007)	(0.007)	(0.007)	(0.008)
$p_{it} - p_{it}^{*}$		0.022	0.015	0.012	0.005
		(0.015)	(0.014)	(0.016)	(0.016)
COM_{it}		-0.057***	-0.034***	-0.037***	-0.037***
		(0.006)	(0.006)	(0.007)	(0.007)
VIX_{it}			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\sigma_{it,FDI}$				0.001	0.001
				(0.000)	(0.000)
$\sigma_{it,BF}$				0.001	0.001
				(0.000)	(0.000)
$CAPCON_{it}$					0.004*
					(0.002)
$QE1_{it}$					-0.002
					(0.002)
$QE2_{it}$					-0.002
					(0.003)
$QE3_{it}$					-0.000
					(0.002)
$ETHNIC_{it}$	0.002	0.002	0.001	0.002	0.002
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$ETHNIC_{it-1}$	0.022***	0.023***	0.023***	0.024***	0.025***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)

(Table A4-12 continued)

Variables					
$\mathbf{ETHNIC_{it-2}}$	0.001	0.002	0.001	0.001	0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{ETHNIC_{it-3}}$	-0.005	-0.005	-0.005	-0.005	-0.005
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{ETHNIC_{it-4}}$	-0.000	-0.001	-0.001	-0.000	-0.000
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{ETHNIC_{it-5}}$	0.002	0.002	0.003	0.003	0.003
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{ETHNIC_{it-6}}$	0.000	0.000	-0.000	-0.000	-0.000
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{ETHNIC_{it-7}}$	0.001	0.001	0.001	0.001	-0.000
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{ETHNIC_{it-8}}$	0.004	0.004	0.004	0.004	0.004
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{ETHNIC_{it-9}}$	0.000	0.000	-0.000	0.000	0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{ETHNIC_{it-10}}$	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{ETHNIC_{it-11}}$	0.001	0.001	0.001	0.000	0.000
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
$\mathbf{ETHNIC_{it-12}}$	-0.001	0.000	-0.000	-0.000	0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Constant	0.001	0.001	0.001	0.002	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.065	0.077	0.097	0.104	0.105

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^*$, $r_{it} - r_{it}^*$, $m_{it} - m_{it}^*$, $tot_{it} - tot_{it}^*$, $gs_{it} - gs_{it}^*$ and $p_{it} - p_{it}^*$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $ETHNIC_{it}$, $ETHNIC_{it-1}$, $ETHNIC_{it-2}$, $ETHNIC_{it-3}$, $ETHNIC_{it-4}$, $ETHNIC_{it-5}$, $ETHNIC_{it-6}$, $ETHNIC_{it-7}$, $ETHNIC_{it-8}$, $ETHNIC_{it-9}$, $ETHNIC_{it-10}$, $ETHNIC_{it-11}$ and $ETHNIC_{it-12}$ represent ethnic tensions at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 13: Regression results of democratic accountability effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
Δq_{it-1}	0.245***	0.239***	0.236***	0.233***	0.232***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-2}	-0.071***	-0.075***	-0.063***	-0.060***	-0.060***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-5}	0.025**	0.022*	0.022*	0.029**	0.029**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$ip_{it} - ip_{it}^{*}$	-0.001	-0.003	-0.002	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$r_{it} - r_{it}^{*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$m_{it} - m_{it}^{*}$	0.017	0.017*	0.023**	0.027**	0.027**
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$tot_{it} - tot_{it}^{*}$	-0.004**	-0.003**	-0.003**	-0.003	-0.003*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$gs_{it} - gs_{it}^{*}$		-0.005	-0.007	-0.007	-0.007
		(0.007)	(0.007)	(0.007)	(0.007)
$p_{it} - p_{it}^{*}$		0.021	0.014	0.010	0.002
		(0.014)	(0.014)	(0.015)	(0.016)
COM_{it}		-0.057***	-0.033***	-0.037***	-0.036***
		(0.006)	(0.006)	(0.007)	(0.007)
VIX_{it}			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\sigma_{it,FDI}$				0.001	0.001
				(0.000)	(0.000)
$\sigma_{it,BF}$				0.001	0.001
				(0.000)	(0.000)
$CAPCON_{it}$					0.003
					(0.002)
$QE1_{it}$					-0.002
					(0.002)
$QE2_{it}$					-0.002
					(0.003)
$QE3_{it}$					-0.000
					(0.002)
$DEMOC_{it}$	-0.011***	-0.011***	-0.011***	-0.012***	-0.013***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$DEMOC_{it-1}$	0.016***	0.017***	0.016***	0.018***	0.021***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)

(Table A4-13 continued)

Variables					
$\mathbf{DEMOC_{it-2}}$	-0.005*	-0.005**	-0.005**	-0.005*	-0.006*
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{DEMOC_{it-3}}$	0.001	0.002	0.001	0.002	0.002
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{DEMOC_{it-4}}$	0.010***	0.011***	0.011***	0.011***	0.012***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{DEMOC_{it-5}}$	-0.007**	-0.006**	-0.006**	-0.006**	-0.007**
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{DEMOC_{it-6}}$	-0.010***	-0.009***	-0.010***	-0.010***	-0.010***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{DEMOC_{it-7}}$	-0.005*	-0.004	-0.004*	-0.004*	-0.006**
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{DEMOC_{it-8}}$	0.002	0.002	0.003	0.003	0.002
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{DEMOC_{it-9}}$	0.001	0.001	0.001	0.002	0.002
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{DEMOC_{it-10}}$	-0.001	-0.000	-0.001	-0.000	-0.000
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{DEMOC_{it-11}}$	0.001	0.001	0.001	0.001	0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
$\mathbf{DEMOC_{it-12}}$	-0.002	-0.002	-0.002	-0.002	-0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Constant	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.074	0.085	0.106	0.116	0.118

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^*$, $r_{it} - r_{it}^*$, $m_{it} - m_{it}^*$, $tot_{it} - tot_{it}^*$, $gs_{it} - gs_{it}^*$ and $p_{it} - p_{it}^*$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. $DEMOC_{it}$, $DEMOC_{it-1}$, $DEMOC_{it-2}$, $DEMOC_{it-3}$, $DEMOC_{it-4}$, $DEMOC_{it-5}$, $DEMOC_{it-6}$, $DEMOC_{it-7}$, $DEMOC_{it-8}$, $DEMOC_{it-9}$, $DEMOC_{it-10}$, $DEMOC_{it-11}$ and $DEMOC_{it-12}$ represent democratic accountability at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

Table A4- 14: Regression results of bureaucracy quality effects on real exchange rates

Variables	(1)	(2)	(3)	(4)	(5)
Δq_{it-1}	0.241***	0.234***	0.231***	0.227***	0.226***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-2}	-0.070***	-0.074***	-0.062***	-0.059***	-0.060***
	(0.012)	(0.012)	(0.012)	(0.013)	(0.013)
Δq_{it-5}	0.024**	0.020*	0.020*	0.027**	0.028**
	(0.012)	(0.012)	(0.012)	(0.012)	(0.013)
$ip_{it} - ip_{it}^{*}$	-0.001	-0.002	-0.002	-0.001	-0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)
$r_{it} - r_{it}^{*}$	0.001***	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
$m_{it} - m_{it}^{*}$	0.018*	0.018*	0.024**	0.028***	0.029***
	(0.010)	(0.010)	(0.010)	(0.011)	(0.011)
$tot_{it} - tot_{it}^{*}$	-0.004**	-0.003*	-0.003**	-0.003	-0.003*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
$gs_{it} - gs_{it}^{*}$		-0.006	-0.008	-0.008	-0.008
		(0.007)	(0.007)	(0.007)	(0.008)
$p_{it} - p_{it}^{*}$		0.021	0.014	0.010	0.003
		(0.015)	(0.014)	(0.016)	(0.016)
COM_{it}		-0.057***	-0.034***	-0.037***	-0.037***
		(0.006)	(0.006)	(0.007)	(0.007)
VIX_{it}			0.001***	0.001***	0.001***
			(0.000)	(0.000)	(0.000)
$\sigma_{it,FDI}$				0.001	0.001
				(0.000)	(0.000)
$\sigma_{it,BF}$				0.001	0.001
				(0.000)	(0.000)
$CAPCON_{it}$					0.004
					(0.002)
$QE1_{it}$					-0.002
					(0.002)
$QE2_{it}$					-0.002
					(0.003)
$QE3_{it}$					-0.000
					(0.002)
BUR_{it}	0.001	0.001	0.002	0.002	0.003
	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)
BUR_{it-1}	0.001	0.002	0.002	-0.002	-0.001
	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)

(Table A4-14 continued)

Variables					
$\mathbf{BUR_{it-2}}$	0.005	0.006	0.006	0.008	0.010
	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)
$\mathbf{BUR_{it-3}}$	0.002	0.002	0.003	0.003	0.005
	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)
$\mathbf{BUR_{it-4}}$	-0.011*	-0.010*	-0.010*	-0.012*	-0.012*
	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)
$\mathbf{BUR_{it-5}}$	0.003	0.004	0.003	0.002	0.002
	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)
$\mathbf{BUR_{it-6}}$	0.005	0.006	0.005	0.005	0.006
	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)
$\mathbf{BUR_{it-7}}$	-0.006	-0.006	-0.005	-0.003	-0.003
	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)
$\mathbf{BUR_{it-8}}$	0.001	0.002	0.001	0.002	0.004
	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)
$\mathbf{BUR_{it-9}}$	-0.003	-0.003	-0.004	-0.004	-0.003
	(0.006)	(0.006)	(0.006)	(0.006)	(0.007)
$\mathbf{BUR_{it-10}}$	0.002	0.003	0.002	0.002	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.007)
$\mathbf{BUR_{it-11}}$	0.003	0.003	0.003	0.004	0.004
	(0.006)	(0.006)	(0.006)	(0.006)	(0.007)
$\mathbf{BUR_{it-12}}$	0.002	0.002	0.003	0.003	0.005
	(0.006)	(0.006)	(0.006)	(0.006)	(0.007)
Constant	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Adjusted R-squared	0.061	0.073	0.093	0.100	0.101

Notes: Δq_{it} is the dependent variable and is the bilateral real exchange rates. Columns 1-5 denote the estimates with the cumulative addition of each control variable group (which are macro and monetary fundamentals, other fundamentals, global risk aversion, capital flow volatility and additional dummies). Δq_{it-1}, Δq_{it-2} and Δq_{it-5} are the respective first, second and fifth lags of the dependent variable. $ip_{it} - ip_{it}^*$, $r_{it} - r_{it}^*$, $m_{it} - m_{it}^*$, $tot_{it} - tot_{it}^*$, $gs_{it} - gs_{it}^*$ and $p_{it} - p_{it}^*$ denote the differentials of industrial production growth, real interest rates, money supply growth, terms of trade, government spending growth and productivity growth respectively. COM_{it} and VIX_{it} are the commodity price and volatility VIX respectively. $\sigma_{it,FDI}$ and $\sigma_{it,BF}$ represents the volatility of FDI inflows and bank inflows. $CAPCON_{it}$ and QEs ($QE1_{it,}QE2_{it}$ and $QE3_{it}$) are the capital control and quantitative easing episodes dummies. BUR_{it}, BUR_{it-1}, BUR_{it-2}, BUR_{it-3}, BUR_{it-4}, BUR_{it-5}, BUR_{it-6}, BUR_{it-7}, BUR_{it-8}, BUR_{it-9}, BUR_{it-10}, BUR_{it-11} and BUR_{it-12} represent bureaucracy quality at time *t* and its respective 12 lags. ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels respectively.

CHAPTER 5

Overall Conclusions

5.1 Summary

Despite the major developments recorded during the past fifty years in the financial services particularly in regard to unprecedented technological evolutions with increased virtual monitoring, the majority of the developing and emerging economies have witnessed major shortcomings in the proper management of foreign capital flows. International capital flows in these economies have therefore started to raise serious questions due to their behaviour and increasing volatility with consequential economic and social impacts on the population. Moreover, such concerns have been further intensified with the exchange rate pressures faced with emerging market economies, jeopardising not only their economic and financial resilience, but also risking their foreign investment potentials.

Despite the large literature on capital flows and exchange rates, which is predominantly focused on their macroeconomic associations, there has been limited advancement on finding the best strategies for their management and the debate about this subject is interminable. As such, the primary purpose of this thesis was to determine a sustainable route to treating the severe cases that have been observed in both international finance and exchange rates in these vulnerable economies. It assists in expanding our understanding of the role of a country's political and institutional settings in this area of research by encompassing all features of institutional quality, both formal and informal in the form of various social, political and cultural characteristics. For capital flows, uncovering these aspects are important as they function as a trust enforcement mechanism with the potential to upgrade the countries' investment profile and offerings to ultimately contribute to restoring investor' confidence. As for the behaviour of exchange rates, laying ground on the institutional associations is an alternative to the continuous macroeconomic trade-offs that the government have to abide by in order to control their exchange rates. The contributions and key findings of this thesis are recapitulated below.

Chapter 2 contributes to the international financial flows literature by examining the possible associations between capital flows and various features of institutional quality and political risk for a panel of 28 African economies. On one hand, it provides a comparison of effects by assessing two types of capital flows, FDI and bank inflows, aiming to cover a broader picture of this relationship and understanding how far the political instability of such economies impacts on their foreign investors. On the other hand, it offers valuable knowledge on how these countries are affected based on their investment receiving capacity by using a quantile regression method. The use of this method is especially suitable in this case given the sample consists of African countries ranging from underdeveloped to developing, hence, having large variations in their capital inflows levels.

One of the most significant findings to emerge from this chapter is that increased political risks in Africa do in fact impact on their foreign investors. Though, interestingly, we find the effects to be mixed, i.e. some risk features reduce capital flows as expected, while others tend to contribute to higher inflows. As such, on a broader scale, although they are detrimental to some extent, we cannot conclude that political instability is the reason behind their low level of investment flows. The second point that this study identifies is that FDI investors are found to be the main bearer of Africa's political instabilities as we find limited effects of the risk indicators on bank inflows. This study is the first one to compare the experiences between FDI and bank investors to the African continent. While the evidence confirms the idea that bank lenders in reality are protected by political risk insurance, and hence are less prone to the consequences, it further provides a basis for African economies to expand their foreign investment horizons without being obstructed by political uncertainties. Thirdly, the findings reveal that the effects of political risk and institutional quality are not relevant to only the means of the conditional distributions of inflows as adopted in previous studies. We find that such effects vary throughout the conditional distributions of inflows, where they strengthen with the level of investment countries receive, especially with FDI investment. Such outcome confirms that in panels where the level of FDI vary considerably among countries, relying on mean regressions may not be adequate or provide accurate insights, underlining the use of quantile estimates to providing a more realistic and true representation of the relationship tested.

Chapter 3 contributes to the growing literature of capital flow volatility by providing the first detailed account of the effects of institutional quality to the volatility of two types of capital flows: FDI and bank inflows. As such, the analysis tests the hypothesis that volatile capital

flows can be minimised with sound and strong institutions for a sample of 43 advanced and developing economies. Prior to this study, this relationship had not been thoroughly investigated, providing no clear evidence to support this statement. Based on this purpose, we estimate the volatility of each capital flow using the ARIMA model. We then employ the fixed effect method to establish the connection between various institutional aspects and volatile capital flows, allowing us to extend our knowledge on this specific subject.

The primary finding of this chapter provides significant evidence that higher capital flow volatility is triggered through weak institutions and high political risks. Hence, institutional strengthening can help to reduce volatility, although we find that this does not apply to all the indicators tested. This outcome strengthens the idea that countries with high volatility of capital flows can rely on the improvement on their institutions as a buffer against such volatility and thus mitigating the risks and consequences associated with them. Additionally, it provides precise channels through which this can be done for each type of capital flow, laying the groundwork for policymakers to address the situation. The second point that the analysis reveals is the strong significance of ethnic tensions on both FDI and bank flows. This new understanding should help to improve predictions of volatile capital movements, especially in countries where such issues prevail. Lastly, we find the volatility of FDI and bank lending to have similar reactions to the quality of institutions, showing that institutional strength can generate lower volatile capital flows in both cases. This revelation represents a major breakthrough in the way of handling volatile capital flows since to date there has been little agreement on the appropriate policies on this subject. There has been much division about the contributions of the conventional domestic and external economic factors to reduce capital flow volatility due to their mixed effects on different types of capital flows. As a result, the similarities identified in this study prove to make an insightful contribution to the current literature and open a gateway for the possibility of policymaking aiming at smoothing out the volatility of both types capital flows without the risk of interferences from mixed policies which may be beneficial for one type of capital flow but detrimental to the other type.

Chapter 4 contributes to the exchange rate literature by investigating the links between multiple institutional features and the movement of exchange rates for a sample of 25 emerging market economies. The analysis seeks to gain a better understanding of the possible ways in which institutions can serve emerging market economies for better foreign exchange management, where prior to this study, only minimal evidence existed about this subject. In

regard to the empirical tests, the fixed effect panel method is utilised to firmly determine the possible effects of institutions on exchange rates. Moreover, through the estimation, we also investigate the extent to which these effects survive the test of time by examining their lags over the duration of the previous year.

The main finding to be revealed from this chapter is that institutional strength and low political risk lead to an appreciation of emerging market currencies. This is noticed through improved government stability, socioeconomic conditions, investment profile, less internal conflicts and better law and order and democratic accountability. Such outcome highlights the usefulness of emerging market economies' institutions and contributes to furthering our understanding of which specific institutional aspects can be beneficial for their currencies. Additionally, this chapter provides evidence to show that the effects of institutions on exchange rates can be easily reversed. In all cases where significant appreciations at present are identified, the results show that the same factors tend to generate a depreciation over time. This outcome provides important insights into the performance of institutions and shows emerging market economies would have to continuously seek institutional stability in regard to the significant factors identified for the appreciation effect to last so as to fully draw them out of their exchange rate pressures.

5.2 Limitations

Although this thesis has successfully demonstrated the channels through which institutional strength can assist countries to pursue the stability of their international financial flows and prices, some limitations need to be highlighted. For instance, we do not cover the behaviour of portfolio flows in the respective capital flow studies due to lack of sufficient data for majority of countries in the dataset. Although this is done to preserve the balanced nature of the panel dataset constructed, it would have certainly provided a complete view of the effects of institutions on capital flows. Another arguable limitation of the thesis is with regard to the research methods. Ideally, cointegration methods could have been utilised to examine the short-term and long-term effects of the institutional and political aspects tested. However, given the stationary nature of the main variables employed, for example, with capital flows and the political risk factors, the use of this method would not be applicable as it would require the use of non-stationary data. Nonetheless, despite this limitation, part of this thesis certainly attempted to expand our understanding of their effects throughout a duration of time with the use of stationary data.

5.3 Suggestions for Further Research

Further, while the findings presented from all studies make several noteworthy contributions to the existing literature, further research are no doubt required. In the context of Africa, it may prove to be useful to examine resource-rich countries and non-resource countries separately and inspect how differently the effects of political institutions play out across the two groups. Moreover, considerably more work needs to be done to determine the effects of such institutions on fluctuations of capital outflows. Although changes in the level of outflows from African countries are not as significant as that of inflows, such an analysis may prove to be insightful for countries, such as, emerging markets, which have been severely impacted by the exchange rate pressures and witness rapid capital flights as a result. In terms of capital flow volatility, although Chapter 3 employed the ARIMA method as the most suitable model based on existing literature and the sample data collected, it may be worth to consider the GARCH model to investigate their volatility estimates if the analysis was to involve investment data of higher frequency throughout a longer time span. As for the behaviour of exchange rates, whilst a natural progression of this work is to analyse its volatility, it may be, more importantly, worth to determine their current contribution to currency crises. Establishing this connection may assist countries in finding the right tools with a greater degree of accuracy to manage such crises at present, which to this date is limited when it comes to the role of institutions. Moreover, given that emerging market economies have a history of macroeconomic consequences that often resulted in extreme values and hence outliers in their time series, it may be worth to incorporate them in future research. This could be in the form of specific dummy variables to represent them or assessing the specific country with the said outliers and exploring the differences in effects with and without outliers.

Additionally, another interesting way to address the effects of institutions which has been left for future research is the possibility of splitting the samples into low, moderate and high-risk country groups separately. This analysis would allow to observe how the impacts vary across the different risk bands and may assist to uncover further insights on the effects of institutions which could lead to reforms more specific and adaptable to the related country group. Lastly, given the fact that all features of institutions and political risk have shown no sign of multicollinearity in all related chapters, further research can be done by testing various indicators simultaneously in one equation and observe if any differences arise and investigate the reasons behind such variations.

5.4 Policy Implications and Concluding Remarks

The thesis expands in several ways our understanding about the contribution of institutional development to enhancing a country's international financial potential. The outcome of the studies suggests several courses of action for future consideration and application. First, based on the factors found to be at play, the research findings may be useful for the restructuring and reorganisation of the relevant key public institutions like the central banks and other players and regulatory bodies at national level, with a view to strengthen their roles and functioning, and reinforce them with high level professionals and experts with well-defined attributions. Regular mandatory monitoring exercises of the key performance indicators may be carried out to ensure that performance at all levels is being tracked so as not to go off track and that corrective actions and measures are promptly taken. This would aid to upgrade and maintain economies' institutional settings, which would not only alleviate the existing investment and foreign exchange pressures but serve their future prospects.

Moreover, it may be worth to review the roles of regional and international financial institutions like the African Development Bank, Asian Development Bank, the ECB, the IMF and the World Bank in the light of past gloomy track record and future challenges and exigencies. They could play a more proactive role and ensure a greater collaboration and coordination between these regional and international institutions on one hand, and national institutions and regulatory bodies on the other hand to enable cohesive, rational and integrated policy decisions being taken in the best interests of the respective economies. This would help to reinstate both foreign investors and public trust within the institutions which could prove to generate long lasting benefits.

Furthermore, with the COVID-19 pandemic and its devastating consequences on the economies of developed and developing countries worldwide, the situation has become more complex, and highly unpredictable with no certainty in the foreseeable future. As stated by the United Nations Development Programme (UNDP), the pandemic being more than a health crisis, it is likely to generate increased poverty and inequalities globally, highlighting the urgency of achieving Sustainable Development Goals (SDGs). Without imperative socioeconomic response, global sufferings will escalate and jeopardise societies and economies at their core. Hence, there is a need for more prudent, creative, and innovative policies and decisions to limit the casualties, sufferings, and economic consequences in order to make the developing and emerging economies more resilient and to shield them from further

consequences on their international finances. Therefore, the comprehensive analysis in this thesis, especially in regard to the significant institutions should provide a basis for policymakers at both national and international levels to take energetic actions to address the complex challenges facing the developing and emerging economies ahead.

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