

BRICS Ülkelerinde Kurumsal Faktörlerin Uluslararası Sermaye Hareketlerine Etkisi / The Effect of Institutional Factors on International Capital Movements in BRICS Countries

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ABSTRACT

Determining the factors affecting the capital movement has been crucial to the correct estimation of future movement of capital flows and the choice of policy tools in response to the flows. Usually, economical factors have been examined in studies on international capital movement. Institutional factors, on the other hand, have been included in the literature since the beginning of 2000s. The aim of this study is to determine the role of institutional factors on flows of the portfolio investment and foreign direct investment for the BRICS countries. For this purpose, ‘grease the wheels hypothesis’, stating that corruption promotes the international capital inflows, and ‘institutional hypothesis’, explaining capital movement through the effect of economic and political institutions, have been tested. In empirical part, in which panel regression analysis is used, there are institutional factors such as corruption, property rights, political stability, political rights, and rule of law as explanatory variables, and the main economical indicators such as trade openness, exchange rate volatility, real interest, economical growth, and inflation as control variables. The data employed consist of 1995-2014 time period. Two separate models have been estimated for hypotheses and it has been found that grease the wheels hypothesis is not valid for BRICS although institutional hypothesis is valid. Also, with this study, institutional approach to Lucas paradox has been empirically supported.

KEYWORDS International Capital Movement; BRICS Country; Panel Regression Analysis

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