

# Regional disparities, firm heterogeneity, and the activity of Japanese manufacturing multinationals in India

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## Abstract

This paper empirically explores the determinants of Japanese multinational enterprise (MNE) activity in India using firm-level data, with particular focus on the country or regional characteristics predicted from a North-South firm-heterogeneity model featuring foreign direct investment (FDI), the exchange rate, and endogenous wage. We identify the economic variables and country or regional characteristics that significantly affect the activity of Japanese MNEs. We show the importance of accumulating human capital and improving infrastructure in order to raise sales level of Japanese MNEs in India.

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