

## **Abstract**

The main objective of this paper is to examine whether corruption affects FDI inflows to Visegrad countries? If yes, in how way does corruption affect FDI inflows in Visegrad countries? This paper collects information on FDI inflows for four countries - Czech Republic, Hungary, Poland and Slovakia - for the period 2000-2022. An empirical analysis is conducted conditional on time fixed effects, individual fixed effects and control variables. The results demonstrate that the corruption perception index (CRP) has a significant positive effect on FDI inflows in the V4 countries, i.e., countries with lower levels of corruption tend to have higher FDI inflows. The analysis also proves that corruption not only affects FDI inflows directly, but also indirectly through other channels. Specifically, an increase in the level of corruption not only directly affects the reduction of FDI, but also reduces FDI inflows by affecting the appreciation of the exchange rate. In addition, after dividing the Visegrad countries into two groups according to high and low urbanization rates, this paper finds that the impact of corruption on FDI will be significant in countries with high urbanization rates and insignificant in countries with low urbanization rates.