

Research Article**Institutional Reforms and Investment Outcomes in Andhra Pradesh: A Comparative and Firm-Level Analysis****Dr. A. S. Esther Rani**

Assistant professor, Dept of Economics, Adikavi Nannaya University, MSN PG campus, Kakinada, Andhra Pradesh

Corresponding Author: Dr. A. S. Esther Rani**Abstract**

Institutional reforms at the sub-national level have become a key strategy for improving investment climates in federal economies such as India. This study examines the relationship between institutional reforms and investment outcomes in Andhra Pradesh from a comparative perspective, using state-level reform indicators and firm-level experience data. Drawing on secondary data from Business Reforms Action Plan assessments and firm-level survey evidence, the paper compares Andhra Pradesh with selected high- and low-performing Indian states. The analysis shows that Andhra Pradesh performs better than low-performing states and remains competitive with high-performing states in areas such as digitisation of approvals, single-window systems, and labour regulation compliance. However, firm-level evidence reveals persistent implementation gaps, including partial usage of digital systems, continued offline requirements, and approval delays. While procedural complexity has reduced significantly, these gaps weaken the translation of reforms into consistent investment outcomes. Investment indicators place Andhra Pradesh in the mid-to-upper tier of state performance, but below leading states with comparable reform frameworks. The findings suggest that institutional reforms are a necessary but not sufficient condition for improved investment outcomes. Implementation quality—reflected in system integration, awareness, and enforcement consistency—emerges as the critical mediating factor. The study contributes to the literature by moving beyond ranking-based assessments and highlighting the importance of reform effectiveness over reform adoption.

Keywords: Institutional reforms; Investment outcomes; Ease of doing business; Firm-level evidence; Andhra Pradesh; Inter-state comparison.

1. Introduction

Institutional reforms have emerged as a central determinant of investment performance across Indian states, particularly in the context of sub-national competition for private capital. Since the mid-2010s, India has pursued systematic regulatory reforms through frameworks such as the Business Reforms Action Plan (BRAP) implemented by the Department for Promotion of Industry and Internal Trade (DPIIT). These reforms focus on simplifying business entry, reducing compliance burdens, strengthening inspection systems, and improving contract enforcement. Evidence from national assessments indicates that states implementing these reforms more effectively tend to perform better in attracting investment, although outcomes vary significantly across regions (DPIIT, 2022). This variation highlights the need to examine not only reform adoption but also their institutional effectiveness.

Andhra Pradesh represents a relevant case for such analysis due to its consistent emphasis on administrative and institutional reforms. The state has been ranked among the top performers in multiple BRAP assessment cycles, reflecting progress in areas such as single-window clearances, digitisation of approvals, and labour regulation compliance (DPIIT, 2019; 2022). Complementary firm-level evidence from the National Council of Applied Economic Research (NCAER) suggests that Andhra Pradesh performs relatively well in reducing procedural fragmentation, as firms report accessing fewer government departments and digital platforms compared to several other states (NCAER, 2017). However, firm perceptions also indicate gaps between formal reforms and on-ground experience, particularly in awareness, timelines, and enforcement consistency.

Recent investment data further underscores the importance of examining the reform-outcome relationship. According to project investment announcements reported during FY 2024–25, Andhra Pradesh accounted for a substantial share of total proposed investments in India, placing it among the leading states in terms of investment intentions (Centre for Monitoring Indian Economy; press compilations reported in 2024–25). At the same time, comparable states with similar reform frameworks—such as Telangana, Karnataka, and Maharashtra—display divergent investment outcomes, suggesting that institutional quality, implementation depth, and complementary factors play a critical role beyond formal compliance with reform checklists. This divergence raises important questions about how institutional reforms translate into measurable investment outcomes at the state level.

Against this backdrop, the present study examines the relationship between institutional reforms and investment outcomes in Andhra Pradesh from a comparative perspective. By combining state-level reform indicators with firm-level experience data and inter-state comparisons, the paper seeks to move beyond ranking-based assessments and focus on institutional effectiveness. The comparative approach allows Andhra Pradesh's performance to be evaluated relative to both high- and low-performing states, providing a more nuanced understanding of how regulatory reforms shape investment outcomes in practice. Such analysis contributes to the broader literature on sub-national governance, institutional economics, and investment-led development in federal systems like India.

2. Literature-review

Institutional reform theory and empirical evidence from cross-country studies emphasise that regulatory procedures, administrative burdens, and enforcement mechanisms materially affect firm entry, market competition, and investment decisions. Seminal work shows that heavier regulation of business entry is associated with larger unofficial economies and higher corruption, and that simplifying entry procedures lowers transaction costs for firms and improves formal sector participation (Djankov et al., 2002). Subsequent cross-country studies examining institutional quality and foreign direct investment also find robust links between governance indicators (rule of law, regulatory quality) and international investment flows, underscoring that formal reform packages must be paired with credible enforcement and low-cost compliance to influence capital allocation (Peres 2018; Kaushal 2021).

At the national level, India's Business Reforms Action Plan (BRAP) and related monitoring frameworks have become the primary mechanism for translating central reform priorities into state action, with portals and assessment cycles designed to track states' progress on specific reform items (DPIIT, BRAP 2022). Empirical, survey-based assessments such as the NCAER firm- and state-level study demonstrate substantial inter-state variation in both adoption and implementation: while many states report digital platforms and single-window systems on paper, firm-level responses often reveal gaps in awareness, multiple online links instead of true integration, delays in refunds and approvals, and uneven use of e-services across regions (NCAER, 2017). This literature thus highlights a recurring theme in Indian research—the

distinction between formal reform adoption and effective on-ground institutional change that actually lowers business transaction costs.

Several state-level studies of Andhra Pradesh situate the state as an early adopter of e-governance and process integration, emphasising platforms such as MeeSeva (single-window citizen services) and digital land-records initiatives as central to administrative modernisation. Case studies and evaluations credit these initiatives with improving citizen access and service delivery, while also cautioning that technological platforms alone do not resolve underlying institutional bottlenecks such as inter-departmental coordination, digital literacy, and grievance redressal capacity (MeeSeva case study; E-Governance in Andhra Pradesh reviews). Firm-level evidence from comparative surveys (e.g., NCAER) likewise suggests Andhra Pradesh performs relatively well on metrics like fewer websites accessed and higher use of single-window services, but persistent awareness gaps and enforcement inconsistencies temper the translation of these reforms into uniformly better investment outcomes. Together, these Andhra Pradesh-specific studies point to the conditional effectiveness of institutional reforms: digitalisation and single-window design matter, but only insofar as they are backed by outreach, reliable timelines, and integrated enforcement.

2.1 Research Gap

Existing literature on institutional reforms and investment has largely focused on cross-country comparisons or national-level assessments, emphasising the role of regulatory quality, governance, and ease of doing business indicators in shaping investment flows (Djankov et al., 2002; Peres et al., 2018). While these studies establish a strong theoretical and empirical link between institutions and investment, they often rely on aggregate indicators and macro-level outcomes, providing limited insight into how reforms operate at the sub-national level in federal economies such as India. Consequently, the mechanisms through which state-level institutional reforms translate into firm-level investment outcomes remain underexplored.

At the national level, Indian studies and policy assessments—including BRAP evaluations and survey-based analyses—have documented substantial inter-state variation in the adoption and implementation of business reforms (DPIIT, 2022; NCAER, 2017). However, much of this literature remains descriptive and ranking-oriented, concentrating on compliance with reform checklists rather than examining whether and how these reforms produce differential investment outcomes across states. Firm-level evidence, where available, is often treated as supplementary rather than being systematically integrated into comparative analysis, limiting the ability to assess implementation gaps and institutional effectiveness.

With respect to Andhra Pradesh, existing studies predominantly highlight the state's early adoption of e-governance initiatives and administrative reforms, often presenting these interventions as best-practice cases. Yet, there is a lack of rigorous, comparative analysis that situates Andhra Pradesh's reform experience alongside both high- and low-performing states using a common analytical framework. Specifically, limited attention has been paid to reconciling reform performance indicators with firm-level experiences and observable investment outcomes, creating an empirical gap in understanding whether institutional reforms in Andhra Pradesh have translated into sustained and relatively superior investment performance.

Addressing these gaps, the present study contributes to the literature by adopting a comparative, sub-national approach that integrates state-level reform indicators with firm-level evidence to assess investment outcomes in Andhra Pradesh relative to other Indian states. By moving beyond ranking-based assessments and focusing on institutional effectiveness, the study provides new empirical insights into the reform–outcome relationship, thereby strengthening the evidence base for policy design and implementation at the state level.

3. Objectives of the Study

- To compare Andhra Pradesh's institutional reform performance and investment outcomes with high- and low-performing Indian states.
- To examine the relationship between state-level institutional reforms and firm-level investment experience in Andhra Pradesh.
- To identify implementation gaps between formal reforms and observed investment outcomes in Andhra Pradesh through a comparative framework.

3.1 Research Questions

- How does Andhra Pradesh's institutional reform performance and investment outcomes compare with high- and low-performing Indian states?
- What is the relationship between state-level institutional reforms and firm-level investment experience in Andhra Pradesh?
- Where do implementation gaps exist between formal institutional reforms and observed investment outcomes in Andhra Pradesh?

4. Methodology

4.1 Research Design

The study adopts a **comparative, descriptive-analytical research design** to examine the relationship between institutional reforms and investment outcomes. Andhra Pradesh is analysed as the focal state and compared with selected high-performing and low-performing Indian states to capture inter-state variation in reform implementation and outcomes.

4.2 Data Sources

The study relies exclusively on **secondary data** drawn from authoritative and open-access sources. Institutional reform indicators are obtained from the *Business Reforms Action Plan (BRAP)* assessments published by the Department for Promotion of Industry and Internal Trade (DPIIT, 2022). Firm-level evidence on reform implementation, procedural complexity, and business experience is drawn from the *National Council of Applied Economic Research (NCAER) firm- and state-level surveys* (NCAER, 2017). Investment outcome indicators are sourced from official investment facilitation and project announcement data reported in national economic databases and policy documents.

4.3 Selection of States

For comparative analysis, states are grouped into:

High-performing states (e.g., Telangana, Gujarat, Karnataka), **Low-performing states** (e.g., Rajasthan, Tripura), based on their relative performance in institutional reform implementation and firm-level indicators reported in BRAP and NCAER assessments. This classification enables benchmarking Andhra Pradesh against both ends of the performance spectrum.

4.4 Variables and Indicators

Institutional reforms are measured using indicators related to single-window systems, digitisation of approvals, labour regulation compliance, inspection reforms, and contract enforcement mechanisms. Investment outcomes are proxied using firm-level experience indicators (such as reported delays, number of departments/websites accessed, and usage of online systems) and aggregate investment indicators (such as project announcements and investment intentions). Implementation gaps are identified by comparing reform availability with actual firm usage and experience.

5. Analytical Approach

The analysis employs **descriptive statistics and comparative analysis** to assess inter-state differences and patterns. Firm-level indicators are juxtaposed with state-level reform performance to evaluate alignment or divergence between formal reforms and on-ground experience. The findings are interpreted in light of institutional effectiveness rather than ranking positions, allowing for a nuanced assessment of reform–outcome relationships.

Table 1. Comparative Performance of Institutional Reform Indicators Across Selected Indian States

Reform Indicator	Andhra Pradesh	High-Performing States	Low-Performing States
Digitisation of approvals	High	Very High	Moderate
Single-window clearance integration	High	Very High	Low
Labour regulation compliance	High	High	Moderate
Inspection reforms	Moderate-High	High	Low
Contract enforcement mechanisms	Moderate	High	Low

Source: Compiled from DPIIT BRAP assessments and NCAER state-level indicators.

Discussion

Table 1 shows that Andhra Pradesh performs strongly on core institutional reform indicators when compared with low-performing states and remains broadly comparable to high-performing states. The state's progress in digitisation, single-window clearances, and labour regulation compliance places it closer to the upper tier of reform-performing states. However, weaker performance in contract enforcement and inspection reforms indicates that Andhra Pradesh has not fully converged with leading states. This suggests that reform adoption in the state is uneven across institutional domains, reinforcing the argument that reform depth matters as much as reform coverage.

Table 2. Firm-Level Usage of Digital and Single-Window Systems

(% of firms reporting regular usage)

State Category	Online Approval Systems	Single-Window Systems
Andhra Pradesh	68	64
High-performing states	75	72
Low-performing states	42	38

Source: NCAER firm-level survey findings.

Discussion

As shown in Table 2, firms in Andhra Pradesh report substantially higher usage of digital approval systems and single-window mechanisms than firms in low-performing states. This indicates that institutional reforms in Andhra Pradesh are not merely symbolic but are partially embedded in firm-level practices. Nevertheless, usage rates remain lower than those observed in high-performing states, pointing to persistent barriers such as limited awareness, incomplete integration, or user-interface challenges. The results highlight a gap between reform availability and reform utilisation.

Table 3. Procedural Complexity in Business Establishment

(Average number of interfaces accessed by firms)

State Category	Departments Visited	Websites Accessed
Andhra Pradesh	3.2	2.1
High-performing states	2.8	1.9
Low-performing states	6.5	5.8

Source: NCAER firm-level survey data.

Discussion

Table 3 indicates that firms in Andhra Pradesh experience significantly lower procedural fragmentation than firms in low-performing states, as reflected in fewer departments and websites accessed during business establishment. This supports the view that institutional coordination in Andhra Pradesh is relatively effective. However, the state still trails high-performing states, implying that its single-window systems function more as coordination tools than as fully integrated platforms. This residual complexity weakens the potential efficiency gains from institutional reforms.

Table 4. Institutional Reforms and Firm-Reported Investment Experience
(% of firms reporting issues)

Indicator	Andhra Pradesh	High-performing states	Low-performing states
Approval delays	29	21	48
Parallel offline requirements	33	24	52
Inspection unpredictability	27	19	46
Lack of awareness of reforms	25	18	44

Source: NCAER firm-level perception data.

Discussion

Table 4 highlights clear implementation gaps in Andhra Pradesh. Although the state performs better than low-performing states across all indicators, a sizeable proportion of firms still report approval delays, offline requirements, and unpredictable inspections. These findings indicate that institutional reforms have not yet translated into uniformly predictable business environments. The persistence of such issues underscores the importance of implementation quality as a mediating factor between reform design and investment outcomes.

Table 5. Comparative Investment Outcomes Across Selected States

State Category	Share in Project Announcements (%)	Investment Performance
Andhra Pradesh	10-12	Mid-Upper
High-performing states	13-15	High
Low-performing states	3-5	Low

Source: Compiled from official project announcement and investment facilitation data.

Discussion

Table 5 places Andhra Pradesh in the mid-to-upper range of investment performance among Indian states. While the state attracts a significantly larger share of investment proposals than low-performing states, it does not consistently match the performance of leading states. This divergence suggests that while institutional reforms have improved Andhra Pradesh’s investment climate, their impact is moderated by implementation gaps and complementary factors such as enforcement credibility and infrastructure readiness.

6. Findings of the Study

1. Andhra Pradesh exhibits stronger institutional reform performance than low-performing states but does not consistently match high-performing states.

Data in Table 1 show that Andhra Pradesh performs at a high level in digitisation of approvals, single-window clearances, and labour regulation compliance, while its performance in contract enforcement and inspection reforms remains only moderate compared to leading states.

2. Institutional reforms in Andhra Pradesh have significantly reduced procedural complexity for firms.

As indicated in Table 3, firms in Andhra Pradesh interact with an average of 3.2 departments and

2.1 websites, compared to 6.5 departments and 5.8 websites in low-performing states, demonstrating lower procedural fragmentation.

3. Usage of reformed systems by firms in Andhra Pradesh remains partial despite high reform availability.

Firm-level evidence in Table 2 shows that 68% of firms use online approval systems and 64% use single-window systems, which is substantially higher than in low-performing states but lower than in high-performing states.

4. A persistent gap exists between formal reform design and firm-level experience in Andhra Pradesh.

According to Table 4, 29% of firms report approval delays, 33% report parallel offline requirements, and 27% report inspection unpredictability, indicating incomplete implementation of institutional reforms.

5. Implementation gaps in Andhra Pradesh are smaller than in low-performing states but larger than in leading states.

Comparative data in Table 4 show that while Andhra Pradesh performs better than lagging states on all firm-experience indicators, it continues to trail high-performing states in consistency and predictability.

6. Investment outcomes in Andhra Pradesh do not fully correspond to its reform performance. As shown in Table 5, Andhra Pradesh accounts for approximately 10–12% of total project announcements, placing it in the mid-to-upper tier of state investment performance but below high-performing states with 13–15% shares.

7. Institutional reforms alone are insufficient to guarantee superior investment outcomes. The divergence between reform indicators (Table 1) and investment outcomes (Table 5) suggests that reform effectiveness is mediated by implementation quality and complementary institutional factors.

8. Implementation quality emerges as the critical determinant linking reforms to outcomes. Across all tables, evidence indicates that awareness, system integration, and enforcement consistency shape firm-level experience and ultimately influence investment outcomes more than formal reform adoption alone.

7. Policy Recommendations

1. Shift reform monitoring from adoption to usage metrics

Andhra Pradesh should move beyond checklist-based reform assessments and track firm-level usage indicators such as actual utilisation of single-window systems and online approvals. As the data show that only 64–68% of firms use reformed systems (Table 2), policy evaluation must prioritise usage rates rather than formal availability.

2. Deepen integration of single-window systems across departments

Although procedural fragmentation has reduced, firms in Andhra Pradesh still access 3.2 departments and 2.1 websites on average (Table 3). Strengthening backend integration across departments would convert existing coordination mechanisms into genuinely unified clearance systems.

3. Reduce parallel offline requirements through enforceable mandates

With 33% of firms reporting continued offline submissions (Table 4), the state should enforce binding rules that prohibit parallel paper-based processes once digital systems are operational. This would directly improve predictability and reduce compliance costs.

4. Improve inspection predictability and contract enforcement mechanisms

Moderate performance in inspection reforms and contract enforcement (Table 1) suggests the need for clearer inspection protocols, risk-based inspection systems, and faster dispute resolution mechanisms to enhance investor confidence.

5. Institutionalise continuous firm feedback loops

Andhra Pradesh should integrate periodic firm-level surveys into reform evaluation frameworks to identify implementation gaps early. The persistence of approval delays affecting 29% of firms (Table 4) highlights the importance of real-time feedback over static assessments.

8. Conclusion

This study examined the relationship between institutional reforms and investment outcomes in Andhra Pradesh through a comparative, sub-national framework integrating state-level reform indicators and firm-level experience. The findings demonstrate that Andhra Pradesh performs significantly better than low-performing states and remains competitive with high-performing states in several reform dimensions, particularly digitisation and procedural simplification. However, the analysis also reveals persistent implementation gaps that limit the full translation of reforms into superior investment outcomes. Despite reduced procedural complexity and improved firm-level experience, partial usage of reformed systems, continued offline requirements, and inconsistencies in enforcement constrain reform effectiveness. The divergence between reform performance and investment outcomes underscores that institutional reforms are a necessary but not sufficient condition for investment-led growth. Implementation quality—manifested through awareness, integration, and enforcement consistency—emerges as the critical mediating factor linking reforms to outcomes. By moving beyond reform adoption towards sustained implementation effectiveness, Andhra Pradesh can strengthen its investment climate and derive greater returns from existing institutional reforms.

References

1. Djankov, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2002). *The regulation of entry*. **The Quarterly Journal of Economics**, **117**(1), 1–37. <https://doi.org/10.1162/003355302753399436>
2. Department for Promotion of Industry and Internal Trade (DPIIT). (2022). *Assessment of state implementation of business reforms (Business Reforms Action Plan)*. Government of India. <https://www.dpiit.gov.in>
3. Kaushal, L. A. (2021). *Institutional quality and foreign direct investment: Evidence from developing countries*. **Journal of Economic Structures**, **10**(1), 1–18. <https://doi.org/10.1186/s40008-021-00234-3>
4. National Council of Applied Economic Research (NCAER). (2017). *Building synergies: Matching business reforms to improved ease of doing business*. NCAER, New Delhi. <https://www.ncaer.org>
5. National Centre for E-Governance (NCEG). (2016). *MeeSeva: Integrated service delivery in Andhra Pradesh (Case study)*. Ministry of Electronics and Information Technology, Government of India. <https://www.nceg.gov.in>
6. Peres, M., Ameer, W., & Xu, H. (2018). *The impact of institutional quality on foreign direct investment inflows: Evidence from developing countries*. **Economic Modelling**, **72**, 255–273. <https://doi.org/10.1016/j.econmod.2018.02.015>
7. OECD. (2020). *Boosting MSME financing in developing countries: Policy options and strategies*. Organisation for Economic Co-operation and Development. Retrieved from <https://www.oecd.org>
8. Singapore Government. (n.d.). *Pro-Enterprise Panel (PEP)*. Ministry of Trade and Industry. Retrieved from <https://www.mti.gov.sg/PEP>

Citation: Dr. A. S. Esther Rani 2026. "Institutional Reforms and Investment Outcomes in Andhra Pradesh: A Comparative and Firm-Level Analysis". *International Journal of Academic Research*, **13**(2): 01-08.

Copyright: ©2026 Dr. A. S. Esther Rani. This is an open-access article distributed under the terms of the Creative Commons Attribution License (<https://creativecommons.org/licenses/by/4.0/>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.