

**Relationship Between Human Capital and FDI inflows:Recent
Empirical Evidences**

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Abstract

Human resource development and financial investment are considered to be the key drivers of economic growth. Recent studies show that increasingly FDI is replacing aid and other forms of investment into developing countries as the major source of capital. This study attempts to initially determine the variation in the types of FDI inflows in developing regions the past decade. Then it attempts to capture the variation across the countries with same income level by analyzing the threshold amount of investment in social and human capital. Under this backdrop Heckman selection model is used and then it is found that higher levels of literacy rate and life expectancy influence the probability of net inflow of FDI while the intensity of FDI net inflow is significantly affected by the higher levels of education and institutional, infrastructure variables.

Key Words: FDI, Human Capital, panel data, Heckman selection Model, gross capital formation.