

ABSTRACT

This paper aims to look at the inter-linkages between FDI, ODA and remittance inflows and economic growth in South Asia, Sub Saharan Africa and East Asia and Pacific from 1996 to 2010, their trends over time and relationship between these three. The analysis involves a preliminary trend analysis to study the trend of ODA, FDI and remittance inflows into these three regions. To deal with the problem of endogeneity between the three flows and economic growth, this study also uses a three-stage least squares panel estimator to analyse the inter-linkages between them and the factors affecting ODA, FDI and remittances.

Based on the preliminary analysis it is found that FDI inflows overtake both ODA and remittances in all the three regions combined, with remittances coming in second. Sub Saharan Africa leads in terms of ODA inflows, South Asia in terms of remittance inflows and East Asia and Pacific in terms of FDI inflows. The three-stage least squares estimator finds ODA, FDI and remittances to be substitutes. Finally several other control variables like trade, inflation, gross capital formation and human capital are considered in this analysis to study their impact of these three flows.