

**FOREIGN DIRECT INVESTMENT AND HUMAN WELFARE
EVIDENCES FROM CROSS SECTION OF COUNTRIES**

PRATIM KAR CHOUDHURY

ABSTRACT

Foreign direct investment (FDI) has been an integral part of an open and effective international economic system and a major catalyst to development. But unfortunately the benefits of FDI do not accrue automatically and evenly across countries because developing countries need to have reached a certain level of development in education, technology, infrastructure and health before being able to fully reap the benefits of foreign presence in their markets. The study tries to capture the threshold level of human development which leads to sustained inflow of FDI by studying a cross section of 69 lower middle and low income countries for the year 2000. Under this backdrop the Heckman selection model is used to capture that threshold effect. This approach is different from the mainstream literature where the concern is usually on the quantum of FDI inflow and its determinants into a country. The results from this study are compared with this mainstream formulation and some interesting deviations are observed.

Key Words: FDI, MNC, Human Capital, Cross Section, Probit, Heckman.