

Drivers of FDI in emerging economies: BRICS vs. MINT

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ABSTRACT

It has been observed that one of the challenges posed to emerging economies is capital constraints. In such a situation, Foreign Direct Investment (FDI) has emerged as a significant capital source for emerging economies. Since liberalization and globalization, emerging economies have achieved remarkable growth through FDI. Therefore, it becomes critical to evaluate FDI determinants in such economies. Many studies are available in this regard; however, there are shreds of evidence of contradictory results. Furthermore, in recent years many scholars have been concerned that human capital can potentially be among the probable determinants of FDI. For the present study, we evaluated the impact of economic indicators (GDP, inflation, infrastructure, and trade openness), political stability of the host country, and human capital development on FDI in emerging economies by drawing pieces of evidence from BRICS and MINT economies. The results revealed that GDP is the most significant factor attracting FDI in BRICS nations, and other economic, political, and human capital-related factors have a trifling impact on FDI. In the case of MINT economies, the results unveiled that political stability, higher GDP, and investment in human capital yield a higher influx of foreign capital. While taking a combined sample, i.e., BRICS and MINT combined, it has been revealed that human capital and market size positively impacts FDI inflows, while inflation has an adverse effect.

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1. Introduction

One of the most notable traits of globalization is the flux of capital in the form of Foreign Direct Investment (FDI). FDI in emerging economies has contributed to economic growth and reduction in poverty. As consumption and production activities are shifting to emerging economies, Multinational Companies (MNCs) are investing in emerging economies to seek profit. FDI is perhaps the most straightforward form for emerging economies to procure capital. FDI helps the host country by boosting production, creating employment, and providing technology.

Emerging economies like Brazil, Russia, India, China, and South Africa, collectively known as BRICS countries, have successfully attracted FDI since the

liberalization. Among BRICS, China became the first country to open its economy in 1978. After that, both Russia and India also participated in the process of global integration of economies. In 1996, Brazil became a part of the globalization process, and after that, South Africa in 1999. The success story of FDI in BRICS nations can be highlighted by the fact that the combined FDI of BRICS in 2000 stood at US\$ 82.32 billion compared to US\$ 369.99 billion in 2019.

The trends in FDI in BRICS nations can be observed in [Fig. 1](#). According to the UNCTAD report ([UN, 2020](#)), China and India are among the largest recipient of foreign investment, while FDI flows rose significantly in Brazil. This exponential rise in BRICS can be attributed to numerous reasons. According to [Fig. 1](#), China receives the highest investments among the BRICS economies. Foreign investments ramped up in India after 2000 because of adopting a liberalized framework for foreign capital, welcoming FDI in core and infrastructure sectors, introducing of Foreign Exchange Management Act (FEMA), and scrapping Foreign Exchange Regulation Act (FERA) with. A massive decline in foreign investments has been observed in Russia after 2014. The Russian financial crisis can explain this decline. Russia

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suffers from 'Dutch Disease.' High dependence on its natural resources, especially crude oil, proved detrimental to the other sectors. Thus, the weakening economy fails to receive foreign investments. Due to Brazil's highly ambitious privatization program, the economy can bag a hefty

foreign capital. In South Africa, the influx of foreign investment has remained consistent because of its political stability and transparent legal system. Colossal market size and macroeconomic stability make BRICS a potential powerhouse of the world economy (O'Neill, 2001).

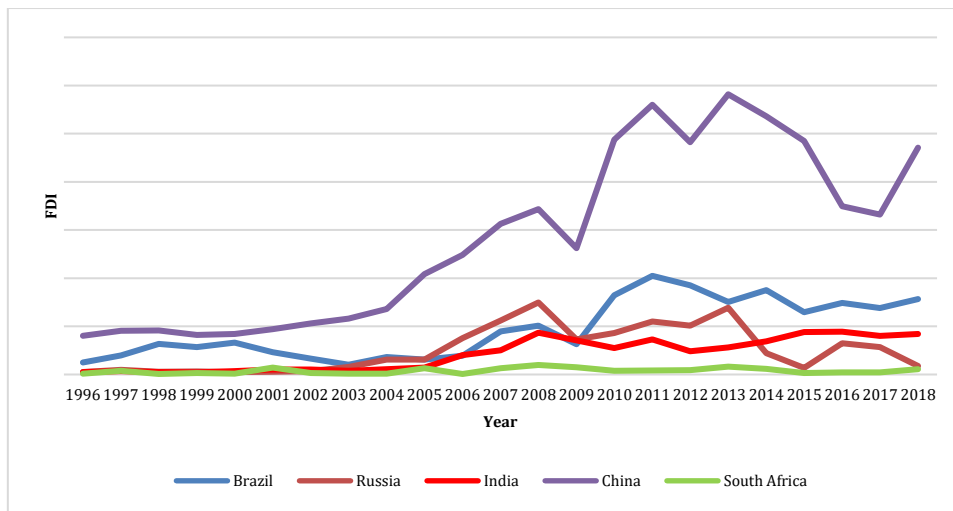


Fig. 1: Trends in FDI in BRICS

In 2014, an asset management firm based in Boston, Fidelity Investments, coined the acronym MINT, referring to Mexico, Indonesia, Nigeria, and Turkey. O'Neill (2001) popularised this term and is used in the economic, financial, and academic spheres. Unlike BRICS, MINT has no formal cooperation. BRICS countries have bilateral agreements for mutual benefits and equality. In 2014, the world began talking about MINT as a new economic giant. This can be highlighted by the fact that Mexico became the 15th largest economy (IMF, 2019). The critical driver of growth in Mexico is the private sector, just like in Brazil. Mexico also has the second-largest single security market in Latin America, after Brazil (BM and F Bovespa). With a mixed economy model, Indonesia is the largest economy in Southeast Asia, and as per the estimates of IMF, Indonesia has the 16th largest economy in

the world. Nigeria is the largest economy in Africa, which is even more significant than South Africa. The core of Nigeria's economic growth is the rapidly expanding financial and entertainment sector. In 2010, Turkey grew faster than India and China at a rate of 10.2%. With a nominal GDP of USD 743.71 billion, Turkey is the 19th largest economy (IMF, 2019). Like India, Brazil, and South Africa, MINT economies also enjoy the young and dynamic population benefits.

Fig. 2 depicts the FDI trends in MINT economies from 1996 to 2018. Among MINT, the influx of foreign capital is highest in Mexico. Indonesia witnessed a plunge in FDI inflows during the latter half of the 1990s due to the East Asian financial crisis of 1997. After 2008, FDI inflows in turkey declined due to the financial crisis of 2008. Nigeria has received foreign investment consistently.

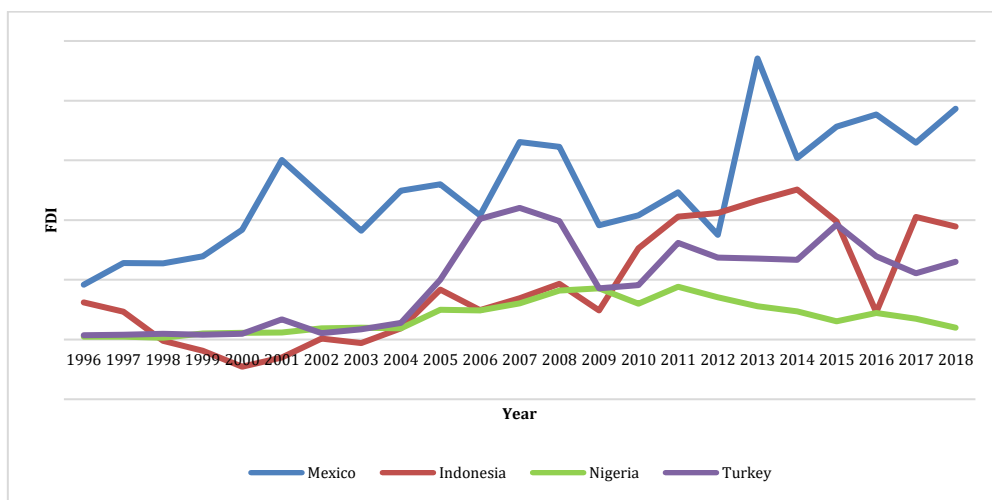


Fig. 2: FDI trends in mint

From the above discussion, it is clear that BRICS are potential powerhouses of the world economy. On the other hand, MINT nations are on track to entering the club of fastest emerging economic powers. Capital constraints challenge emerging economies, and foreign investments become an antidote to this challenge. Therefore, it becomes imperative to assess the determinants of FDI in BRICS and MINT economies.

2. Literature review

Many studies have been conducted in the past to assess the factors affecting FDI. These studies' conclusions and findings are undeniably crucial steps toward developing a framework for the emergence of FDI.

2.1. Market size

GDP or GDP per capita has often been employed as a proxy to measure the market size in the literature. It is generally assumed that a large market size tends to attract higher investment. Moore (1993) and Wang and Swain (1995) held that a massive market size provides lucrative opportunities for foreign firms to increase sales and profitability. Lucas (1993) conducted an empirical analysis by focusing on Asian countries and discovered a high degree of responsiveness of FDI to GDP per capita. Lankes and Venables (1996) have revealed that more importance is being attached to local market size.

Similarly, Resmini (2000) has argued that market size components are the most important factors to attract FDI in Central and Eastern European Countries (CEECs). Sahoo (2006), Saini and Singhania (2018), and Jaiblai and Shenai (2019) have also pointed out that market size has a positive impact on FDI influx. Nunnenkamp (2002), and Günther and Kristalova (2016) also found a positive effect of the market size (GDP) on FDI. Lyeonov et al. (2019) stated that higher GDP boosts producers' confidence and creates an optimistic environment for foreign investors. Kurtović et al. (2020), in their empirical study on western Balkan nations, have noted that FDI location is positively affected by GDP per capita. In stark contrast to these studies, scholars have provided contradictory views and unveiled an insignificant impact of market size on FDI (Holland and Pain, 1998; Asiedu, 2002).

2.2. Macroeconomic stability

Many scholars have argued that macroeconomic instability can have an adverse impact on FDI inflows. In literature, inflation is used as a standard measure to gauge economic stability (Demirhan and Masca, 2008). Mixed results are found in the literature. Demirhan and Masca (2008) argued that a stable economic environment boosts the influx of foreign investments. Ibrahim and Hassan (2013),

and Yakubu (2020) have stated a negative impact of inflation on FDI. de Mello (1997), Asiedu (2002), Onyeiwu and Shrestha (2004), and Yartey and Adjasi (2007) have stated that high inflation rates signal poor money management and negatively affect the influx of foreign capital. On the contrary, Sayek (2009) has successfully enunciated how increasing inflation rates results in growth in FDI due to changes in saving and investment patterns. Similarly, Nunes et al. (2006) observed a positive effect of market size and inflation on FDI. However, some studies indicate an insignificant impact of inflation on FDI (Azam and Lukman, 2010).

2.3. Infrastructure

Jordaan (2004) argued that sound infrastructure in the host countries enhances productivity and attracts more foreign firms to invest. Wheeler and Mody (1992), Kumar (1994), and Mohanan Pillai (1996) have also claimed the positive impact of infrastructure in attracting FDI. Demirhan and Masca (2008) described infrastructure as multidimensional ranging from roads and ports to institutional development like accounting, legal, etc. In literature, Asiedu (2002) has used the number of telephones per habitat as a conventional measure to gauge a country's infrastructure. Gopalan et al. (2019) have also suggested that physical infrastructure (roads) has emerged as a crucial factor to woo FDI in China and ASEAN nations.

2.4. Trade openness

Generally, the trade openness indicator can be defined as a country's trade in the percentage of GDP. In other words, it has been measured as the ratio of the sum of exports and imports to GDP. Jordaan (2004) stated that the ramifications of openness are dependent on the type of foreign investment. According to him, in the "market-seeking industry," trade restrictions can positively affect. Whereas, in the case of an "export-oriented industry," the firm may resort to investing in an economy with fewer trade restrictions. Generally, fewer trade restrictions are desirable for foreign investors, and hence trade openness must accelerate the influx of foreign investments (Edwards, 1990; Gastanaga et al., 1998; Fernández-Arias and Hausmann, 2000; Asiedu, 2002; Pärletun, 2008). In literature, the trade openness index is often used to gauge the flexibility and accessibility of host countries to foreign investors for international trade. Trade openness positively impacts FDI influx, both in developed and developing nations (Günther and Kristalova, 2016; Gupta and Singh, 2016; Saini and Singhania, 2018). For example, establishing Free Trade Agreements (FTAs) and removal of harsh trade restrictions has driven FDIs in Latin American nations. However, contradictory results also exist in the literature (Schmitz and Bieri, 1972). Openness has a more pronounced positive effect in OECD than

in non-OECD nations and leads to a negative impact on transitioning economy (Seim, 2009).

2.5. Human capital

A debate over human capital as a determinant of FDI has picked up speed in recent years. Many scholars have pioneered that human capital development is instrumental in attracting foreign investment. Human capital as a determinant can be traced back to Dunning (1998), and Zhang and Markusen (1999). They have hypothesized human capital as one of the intrinsic determinants. Similarly, Pfeffermann and Madarassy (1991) stated that the presence of a well-educated pool of labor attracts more foreign firms to invest. However, the literature lacks empirical evidence. It is so because it is challenging to construct indicators to gauge human capital and literacy rates. However, many scholars have used various proxies to incorporate the effect of human capital in their studies. Noorbakhsh et al. (2001), in their empirical analysis, examined the effect of human capital on FDI and concluded that human capital is a statistically significant determinant. Majeed and Ahmad (2008) have also presented evidence that human capital and literacy rates positively affect FDI in developing countries. Barro (1991), and Bils and Klenow (2000) have used enrolment rates to measure human capital and have unveiled a significant positive impact. However, Lau et al. (1991), and Pritchett (2001) have discovered an insignificant impact. In recent years, Chanegriha et al. (2017) and Asongu and Tchamyou (2018) have also considered the importance of human capital regarding development. To further add to the literature, Jirasavetakul and Rahman (2018) have also pointed out that secondary education positively influences the FDI inflows in CEECs and Western Balkans.

2.6. Political stability

In early literature, Edwards (1990) mentioned that political instability has a detrimental impact on the influx of foreign capital. After that, Ancharaz (2003) and Chakrabarti (2003) also discovered results consistent with Edwards (1990). In stark contrast to these results, Jaspersen et al. (2000) and Fernández-Arias and Hausmann (2000) have argued that the host country's political stability has an insignificant impact on FDI inflows. Brada et al. (2019) have also further contributed to the literature by pointing out that FDI is negatively affected by corruption levels in the host and rival countries. Drawing on evidence from 155 countries, Xu (2019) unveiled that economic freedom attracts a higher level of FDI.

2.7. Research gap and hypothesis

Despite the availability of wide and extensive literature on the determinants of FDI. There is

evidence of mixed results, and there are gaps in the literature. The empirical evidence is mixed due to periods, choice of country, and methodology applied by various scholars. One of the noteworthy gaps identified in the literature, encompassing the extent of our knowledge, is limited empirical studies carried out to determine the ramifications of human capital and political indicators of the host country on FDI in emerging economies. Furthermore, the previous studies are short-sighted, as they evaluate only one dimension of human capital development, i.e., education.

Therefore, this paper aims to gauge the impact of economic factors, i.e., GDP, inflation, infrastructure, and trade openness, on FDI and assess the impact of the host country's human capital and political stability as a determinant of FDI. The study has taken a sample of nine emerging economies to attain this objective. The nine countries include Brazil, Russia, India, China, South Africa (often referred to as BRICS) and, Mexico, Indonesia, Nigeria, Turkey (often referred to as MINT). Furthermore, we have extended the scope of our study by examining the impact of selected factors on BRICS and MINT nations separately.

To succeed in our objectives following hypotheses have been formulated for the three subsamples:

- H1: GDP has no significant impact on FDI inflows.
- H2: Inflation does not have a significant impact on FDI inflows.
- H3: Infrastructure does not have a significant impact on FDI inflows.
- H4: Trade openness does not have a significant impact on FDI inflows.
- H5: Human Development Index (HDI) does not have a significant impact on FDI inflows.
- H6: Political stability does not have a significant impact on FDI inflows.

3. Research methodology

3.1. Data

Data related to economic indicators, i.e., infrastructure, inflation, GDP, and trade openness, have been retrieved from the World Bank database. United Nations Development Programme (UNDP) (UN, 2020) database has been utilized for Human Development Index (HDI) data and the political stability index measure has been taken from The Global Economy[†]. Due to the constraints on the availability of data, the periodicity considered for the study is 1996 to 2018 for all the countries except Nigeria (2003-2018).

3.2. Research model

The present paper aims to assess the effect of selected indicators on the FDI inflows in the

[†] <https://www.theglobaleconomy.com/>

developing economies by drawing shreds of evidence from BRICS and MINT countries. The regression model proposed for this purpose is as follows:

$$FDI=f(GDP, inflation, infrastructure, trade openness, human development index, political stability) \quad (1)$$

GDP has been used to represent the market size and inflation has been introduced in the regression model to indicate macroeconomic stability. In literature, [Asiedu \(2002\)](#), [Ancharaz \(2003\)](#), and [Demirhan and Masca \(2008\)](#) have used the number of telephones per thousand inhabitants as a measure for infrastructure. However, [Asiedu \(2002\)](#) has also highlighted the shortcomings of using the number of telephones as a measure. He stated that this measure fails to capture the reliability of infrastructure. [Demirhan and Masca \(2008\)](#) also argued that many telephones capture only the fixed-line infrastructure but do not include cellular telephones. However, due to the lack of reliable data and limitations pointed out by previous studies, we decided to opt for a mobile cellular subscription per hundred people as a proxy for infrastructure. Trade openness is a widely used trade ratio used to indicate the relative importance of international transactions over interactional transactions.

To measure trade openness, we are resorting to the standard measure used in the literature, calculated as the sum of exports and imports over GDP ([Jadhav, 2012](#); [Sakyi et al., 2015](#); [Günther and Kristalova, 2016](#); [Saini and Singhania, 2018](#); [Asongu and Tchamyu, 2018](#)). Many scholars have attempted to consider many proxies to measure human capital, for example, enrolment rates, literacy rates, etc. However, these proxies are not reliable as they assess only one dimension of human capital, i.e., education. Therefore, in this study, we have decided to choose Human Development Index (HDI). HDI assesses the three dimensions of human development: education, health, and standard of living.

To ascertain the effect of the selected indicators on FDI inflows in BRICS and MINT countries panel data regression analysis has been done. The models for pooled OLS, fixed effect, and random effect have been defined as below:

- Pooled OLS:

$$FDI_{it} = \alpha + \beta_1 GDP_{it} + \beta_2 INFLA_{it} + \beta_3 INFRA_{it} + \beta_4 TO_{it} + \beta_5 HDI_{it} + \beta_6 PS_{it} + \varepsilon_{it} \quad (2)$$

- Fixed Effect:

$$FDI_{it} = \alpha + \beta_1 GDP_{it} + \beta_2 INFLA_{it} + \beta_3 INFRA_{it} + \beta_4 TO_{it} + \beta_5 HDI_{it} + \beta_6 PS_{it} + \mu_{it} \quad (3)$$

- Random Effect:

$$FDI_{it} = \alpha + \beta_1 GDP_{it} + \beta_2 INFLA_{it} + \beta_3 INFRA_{it} + \beta_4 TO_{it} + \beta_5 HDI_{it} + \beta_6 PS_{it} + \varepsilon_{it} + \mu_{it} \quad (4)$$

where, FDI_{it} represents FDI inflows in country i during time period t . ε_{it} is the stochastic error term of country i at time t and μ_{it} error term of country i at time t .

In the case of the first two subsamples: BRICS only and MINT only, pooled analysis is employed instead of panel analysis. Panel analysis is not employed because it involves testing for the Fixed Effect (FE) model and Random Effect (RE) model. For the RE model, the number of cross-sections should be higher than the number of coefficients. However, in the case of the third subsamples, i.e., BRICS and MINT combined panel data regression analysis has been employed, and both FE and RE model has been estimated along with Pooled OLS.

To examine the best fit model out of the three estimated model for the third subsample, the f-test, [Hausman \(1978\)](#) test, and Breusch-Pagan Lagrange multiplier (LM) test is used. In the case of the f-test, the null hypothesis assumes that all constant is homogenous and FE does not exist. For [Hausman \(1978\)](#) test, the null hypothesis assumes the [Hausman \(1978\)](#) statistic is asymptotically distributed as chi-square with k degrees of freedom, and therefore, rejection implies that the FE model is better than the RE model. To compare the RE model and common constant model (OLS), Breusch-Pagan Lagrange multiplier (LM) test is used. A simple OLS regression model can be used if there exist no significant differences across countries.

4. Results

4.1. Descriptive statistics

The descriptive statistics, as a part of the preliminary analysis, have been reported in [Table 1](#). Inflation in BRICS nations ranges from -1.4% to 85.74% and inflation in MINT countries ranges from 2.72% to 85.66%. Human Development Index (HDI) in BRICS countries ranges from 0.471 to 0.824 compared to 0.452 to 0.824 in MINT economies. However, the mean HDI in BRICS and MINT economies stands at 0.669 and 0.659, respectively. The mean HDI of all the nine countries stands at 0.665. The results further revealed that the mean political stability index in BRICS and MINT economies is -0.56 and -1.11, respectively, and the median stands at -0.5 and -0.92, respectively.

4.2. Correlation analysis

As a part of the preliminary analysis, correlation analysis has been done and the results have been presented in [Table 2](#). For the first sub-sample, GDP, infrastructure, and HDI positively significantly correlated to FDI inflows, while inflation and trade openness is significantly negatively correlated. In the second sub-sample, the FDI is significantly correlated with all the explanatory variables except trade openness. For the third sub-sample, GDP, infrastructure, HDI, and political stability have a

significant positive association with GDP. Inflation and trade openness maintains a significant negative correlation with GDP.

Table 1: Descriptive statistics

		FDI	GDP	Inflation	Infrastructure	Trade Openness	HDI	Political Stability
BRICS	Mean	10.261	11.909	7.559	64.077	0.549	0.669	-0.56
	Median	10.438	11.936	5.776	60.942	0.51	0.683	-0.5
	Minimum	8.741	10.98	-1.401	0.033	0.139	0.471	-1.4
	Maximum	11.464	13.143	85.746	165.661	1.342	0.824	0.33
MINT	Mean	9.89	11.703	14.3	57.387	0.506	0.659	-1.11
	Median	9.969	11.742	8.225	60.968	0.503	0.685	-0.92
	Minimum	8.162	10.98	2.721	0.281	0.211	0.452	-2.21
	Maximum	10.673	12.119	85.669	164.441	1.036	0.807	0.83
BRICS & MINT Combined	Mean	10.129	11.822	10.424	61.233	0.531	0.665	-0.8
	Median	10.209	11.856	6.41	60.955	0.508	0.683	-0.73
	Minimum	8.162	10.98	-1.401	0.033	0.139	0.452	-2.21
	Maximum	11.464	13.143	85.746	165.661	1.342	0.824	0.83

Note: Natural log of FDI and GDP is taken

4.3. Test for variance inflation factor (VIF)

Variance Inflation Factor (VIF) and tolerance have been employed to examine the multicollinearity among the explanatory variables for three samples undertaken in this study. Any variable with a VIF value greater than 10 or a tolerance value less than

0.10 indicates a multicollinearity problem. The results of this paper have been reported in Table 3. Since the VIF values for all the explanatory variables taken for the three samples are below 10, it is deemed that no multicollinearity problem exists among the independent variables.

Table 2: Correlation analysis

Variable	FDI	GDP	Inflation	Infrastructure	Trade Openness	HDI	Political Stability
BRICS Only							
FDI	1						
GDP	0.906*	1					
Inflation	-0.272*	-0.263**	1				
Infrastructure	0.279*	0.422*	-0.166	1			
Trade Openness	-0.187***	-0.321*	0.092	-0.081	1		
HDI	0.348*	0.539*	0.131	0.679*	-0.462*	1	
Political Stability	-0.018	0.087	-0.357*	0.179	-0.626*	0.181	1
MINT Only							
FDI	1						
GDP	0.839*	1					
Inflation	-0.633*	-0.528*	1				
Infrastructure	0.559*	0.759*	-0.452*	1			
Trade Openness	0.083	0.013	-0.039	-0.155	1		
HDI	0.542*	0.728*	-0.181	0.43*	0.366*	1	
Political Stability	0.465*	0.535*	-0.141	0.251	0.186	0.644*	1
BRICS and MINT Combined							
FDI	1						
GDP	0.911*	1					
Inflation	-0.24*	-0.208*	1				
Infrastructure	0.22	0.262	-0.29	1			
Trade Openness	-0.116*	-0.159*	0.009**	-0.088*	1		
HDI	0.279*	0.31*	-0.071	0.572	-0.203*	1	
Political Stability	0.246*	0.216*	-0.272*	0.223**	-0.21*	0.437*	1

Note: *, ** and *** represents significance level at 0.1%, 1% and 5% respectively

Table 3: Variance inflation factor

Variables	BRICS only		MINT only		BRICS and MINT combined	
	VIF	1/VIF	VIF	1/VIF	VIF	1/VIF
GDP	1.8938	0.528	6.3307	0.158	1.7727	0.5641
Inflation	1.7434	0.5736	1.6058	0.6227	1.325	0.7547
Infrastructure	3.3573	0.2979	2.8495	0.3509	1.9743	0.5065
Trade Openness	3.0525	0.3276	1.5854	0.6308	2.2198	0.4505
HDI	5.1737	0.1933	4.4327	0.2256	2.2869	0.4373
Political Stability	2.3777	0.4206	1.8274	0.5472	1.5139	0.6605

4.4. Panel data regression analysis

Table 4 reveals the results of regression analysis for all the three sub-samples considered in this study. For the BRICS economies, it has been observed GDP has a significant coefficient while

other explanatory variables do not have a significant coefficient. This indicates that in BRICS countries, only GDP plays an imperative role in attracting FDI. However, other economic indicators, i.e., inflation, infrastructure, and trade openness, do not entail a significant impact on FDI inflows. Using a pooled

regression model, the results unveil that GDP, HDI, and political stability play a significant positive role in determining FDI inflows in MINT economies. Furthermore, inflation has a significant negative coefficient, indicating that macroeconomic stability attracts foreign investors to invest more.

For the third sub-sample panel, data regression was employed. Firstly, F-test has been conducted to compare pooled OLS and FE models and the null hypothesis of the test has been rejected. Therefore, the FE model is better than pooled OLS. Secondly, per the results of the LM test (43.984, $p < 0.001$), the null hypothesis of the LM test has been rejected, hence RE model is chosen over pooled OLS model.

Lastly, to compare the FE and RE models, Hausman (1978) test is conducted. Per the test statistic (9.317, $p > 0.05$), the RE model is better than the FE model. Therefore, based on these results, it has been concluded that the RE model is a suitable research model for the study.

The results of the random effect model are summarised in Table 4. The explanatory variables chosen for this study can explain 71.4% of the total variation in FDI. The study reveals that in developing nations GDP, trade openness and HDI has a significant positive impact on FDI, while inflation tends to have a negative impact on the FDI inflows.

Table 4: Regression analysis

Variable	BRICS		MINT		BRICS and MINT Combined	
	Pooled OLS	Fixed Effect	Pooled OLS	Fixed Effect	Random Effect	Random Effect
α	-5.839*	-11.762*	-5.943*	-3.66**	-4.453*	
GDP	1.407*	1.949*	1.398*	1.307*	1.307*	
Inflation	0.001	-0.007*	-0.007*	-0.009*	-0.008*	
Infrastructure	-0.001	0.002	-0.001**	0.001	0.001	
Trade Openness	0.219	0.461	0.418*	0.893*	0.688*	
HDI	1.191	1.649*	0.923**	-3.197*	1.724**	
Political Stability	-0.032	0.084**	0.035	0.049	0.089	
R-square	0.859	0.785	0.841	0.883	0.714	
F Test			6.318*			
(Pooled Vs Fixed)						
Brush & Pagan Lagrange Multiplier Test						43.984*
(Pooled Vs Random)						
Hausman (1978) Specification Test (Fixed Vs Random)					9.317	

Note: * and ** represents significance level at 0.1% and 5% respectively

5. Discussions

BRICS economies have a pivotal position in the global economy in terms of trade and politics. Having a combined nominal GDP of US\$ 18.6 trillion (as of 2018) highlights the humongous share of BRICS nations in the world economy. On the other hand, MINT countries are a part of the "Next Eleven" and thus are on the path of economic progress. The combined nominal GDP of MINT was estimated at US\$ 3.54 trillion in 2014. Therefore, FDI inflows for BRICS and MINT are imperative to ensure a rapid decline in poverty and exponential growth.

The study purports that macroeconomic variability is detrimental to FDI inflows in emerging nations. High inflation rates can adversely affect the profits generated by the investors and create uncertainty (Udoh and Egwaikhide, 2008). Liberalization (trade openness) is conducive to affecting FDI inflows. This is particularly true for many developing nations in South and Southeast Asia. Developing nations, such as India and China, have seen a dramatic increase in FDI inflows post-liberalization. More liberalized trade policies and fewer trade restrictions are instrumental in luring overseas investors (Shah and Khan, 2016).

A positive association between the market size and FDI inflows is consistent with the literature (Nunnenkamp, 2002; Günther and Kristalova, 2016; Kurtović et al., 2020). Unlike previous work, this study also emphasized human capital as a potential

determinant of FDI in developing economies. Emerging economies, such as BRICS and MINT, has a large pool of skilled as well as unskilled labor. Durotoye (2014) has pointed out that MINT countries have favorable demographics and can utilize their young population to achieve an economic perspective.

The study further revealed that political stability plays a crucial role in wooing FDI in MINT nations. It is so because political instability increases investment risk, especially in Mexico and Turkey. Political instability disrupts trade flows and creates a hostile environment (Ades and Chua, 1997). Such an atmosphere is not instrumental for foreign investors (Ancharaz, 2003).

6. Conclusion

The present article aims at assessing the determinants of FDIs in emerging economies. The impact of various macroeconomic, human capital, and political stability on foreign investment influx in nine developing countries were assessed. The scope of the study was further extended by taking different samples of developing economies to explain that determinants of FDI may differ from sample to sample or country to country. The study is based on the three samples: BRICS, MINT, and MINT and BRICS economies combined. The study is based on secondary data spanning for 23 years, from 1996 to 2018, except Nigeria (2003-2018).

In BRICS economies, the market size attracts FDI inflows. For MINT economies, it has been observed that political stability, human capital development, macroeconomic stability, and market size are positively associated with a high level of FDI inflows. In the third sample, the results reveal that market size, macroeconomic stability, and development of human capital positively contribute to FDI influx in emerging economies.

To ensure sustained growth, policymakers need to ensure consistent FDI inflows. To attract more FDI, policymakers need to ensure macroeconomic stability to reduce investment risks. Trade volume shall be increased by resorting to more liberal economic policies. Furthermore, investments in human capital must be increased, as a healthy and educated young population can ensure fast economic growth. MINT nations should focus more on political stability, especially in Mexico and Turkey.

The study contributes to the literature by emphasizing macroeconomic, human capital, and political factors affecting FDI. Further research needs to be carried out by considering larger samples and determining country-specific factors.

Compliance with ethical standards

Conflict of interest

The author(s) declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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