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FACTORS OF FOREIGN DIRECT INVESTMENT INWARDS: THE CASE OF SAUDI ARABIA

Abstract:

According to the gross domestic production, the Saudi Arabia's economy is listed in one of the top twenty economies in the world and Saudi Arabia is a member of G20 group. Using panel data from 1990 to 2020, this study tries to identify the key factors of foreign direct investment (FDI) inwards in Saudi Arabia. Saudi Arabia is facing many economic challenges which would affect the whole world as Saudi Arabia is consider being one of the leaders in the oil sector. The economy of Saudi Arabia depended extensively on oil exporting for a long period. In 2015, the oil prices dropped sharply which force the Saudi government to find some policies to diversify Saudi economy. The Saudi Vision 2030 is one of the most important strategies to enhance the economy through a bundle of programs and economic reforms. The Saudi vision is based on three main pillars as: 1) A Vibrant Society, 2) A Thriving Economy, 3) An Ambitious Nation. In this study, the focus is on the second pillar A Thriving Economy. However, FDI is one of the most important markers of an economy's efficiency. As a result, this research identifies the positive and negative elements that have a substantial impact on FDI in Saudi Arabia. The data of this study was collected from the database of the World Bank. The ordinary least squares statistical model was utilized in this investigation (OLS). The main findings proposed that GDP has affected the economic growth positively while, unemployment impacted the economy of Saudi Arabia negatively. These results of this study help policymakers to focus on the positive drivers of Saudi economic growth and avoiding negative factors. In addition, foreign investors who would like to invest in Saudi Arabia can explore the determinants of FDI in Saudi. Finally, academics in the field of economics can benefit from this study.

Keywords:

Foreign direct investment, Saudi Arabia; Economic growth, Saudi Vision 2030