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RENEWABLE ELECTRICITY CONSUMPTION , FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN EGYPT: AN ARDL APPROACH

Abstract:

This study examines the relationship between renewable electricity consumption, foreign direct investment and economic growth in Egypt. In this regard the study used Auto Regressive Distributed Lag (ARDL) bound testing approach over time series data from the period 1980 to 2011. The empirical findings show that the variables in the study are cointegrated which reveals the long-run relationship between them. Furthermore, renewable electricity consumption and foreign direct investment have a long-run positive effect on economic growth. Granger causality test shows that there exists unidirectional causality running from foreign direct investment to economic growth, in addition there is bidirectional causality between economic growth and renewable electricity consumption. This result supports feedback hypothesis. The stability of model was also checked at the end.

Keywords:

Economic growth, Renewable electricity consumption, foreign direct investment, Granger causality

JEL Classification: O10, Q20, F21