

Foreign Direct Investment and Its Impact on the Economic Growth of Emerging Economies: Does Ease of Doing Business Matter?

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Abstract : This study explores the role of Foreign Direct Investment (FDI) in stimulating economic growth of emerging economies. FDIs have been associated with higher economic growth rates in developed countries due to the presence of conducive business conditions e.g. advanced financial markets which may accelerate the rate at which FDI boosts economic growth. So this study sets out to evaluate this macroeconomic phenomenon in emerging economies using the case study of Southern Africa Development Community (SADC) countries. The study uses Ease of Doing Business Index as a variable that moderates the relationship between FDI and economic growth. Panel data ranging from 2010 to 2019 from all SADC members are used and due to the unbalanced nature of the data, fixed effects regression analysis with moderation effect is used to assess this phenomenon. The conclusions and recommendations generated by this study will enable emerging economies to depict how they can be able to significantly improve FDI's role in accelerating economic growth similarly to developed economies.

Keywords : ease of doing business, economic growth, emerging economies, foreign direct investment

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