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The Impact of Foreign Direct Investment on Economic Growth in Oman (1990-2014)

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Abstract: Oman's economy is greatly reliant on oil as a main source of income. On the other hand, diversification of economic activities needs enhancement in the technological infrastructure of the country to have positive effect on economic growth (gross domestic product GDP). Foreign direct investment (FDI) is considered a major source of economic growth. This paper tries to describe and analyze broad literature to find out the proper variables to explain the foreign direct investment from time series data. Based on the intricate linkage between FDI and growth, many other variables are explained like export and employment. The effectiveness of the government along with supporting policy framework makes Oman as gorgeous destination of FDI, which has an assenting spillover and considerable impacts over time through energetic effects on economic growth.

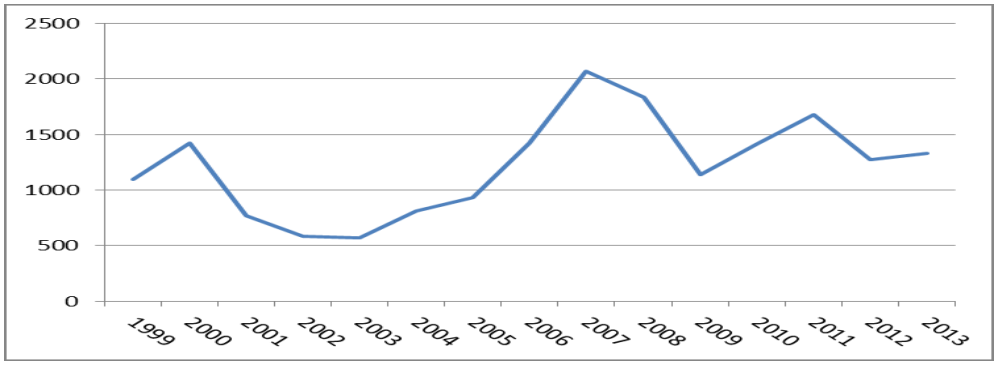
The paper uses multiple regression analysis to find out the level of FDI impact on economic growth in Oman. The paper exploits time series data to determine the impact of FDI on economic growth within the period of time from 1994-2014. The main sources of data are the official publications of the Central Bank of Oman, Ministry of Finance Reports, World Bank Reports, United Nations (UN) conference on Trade and Development (UNCTAD) and its World Investment Report, Journals, other Periodicals and the Internet. The findings state that, FDI has been revealed as steam engine of economic growth. Also there was a bidirectional association between FDI and GDP. The trend of causation ran from FDI to GDP and from GDP to FDI at the same time, but from FDI to GDP found to be stronger which enables to conclude that FDI cause GDP. Clearly, the huge prospective of FDI for speed up the rate of economic progress of Oman, cannot be exaggerated and it is recommended. Clearly, the huge prospective of FDI for speed up the rate of economic progress of Oman, cannot be exaggerated.

Keywords: *FDI, economic growth, exports; employment and Oman.*

Introduction:

Oman's economy is one of the economies heavily dependent on oil as the main source of revenues. In some years, Oman was able to have increasing, yet unsteady growth due to very high international oil prices, but in the long-term, the discrepancy of oil prices and lack of diversification of economic activities has a negative influence on Oman's economic growth. But, diversification of economic activities needs enhancement in the technological infrastructure of the country to have positive effect on economic growth. Foreign direct investment (FDI) is considered as one of the major source of economic growth. This paper tries to describe and analyze broad literature to detect the proper variables in explaining the impact of FDI on growth from a data collected from 1990 to 2014. Based on the intricate linkage between FDI and growth, many other variables are explained like export and employment. The effectiveness of the government beside with subsidiary strategy context marks Oman as gorgeous terminal of FDI, which ought to have an assenting spread (spillover) and considerable effects through time due to energetic special influence on economic growth.

When we come to define FDI two basic issues must be highlighted so as to differentiate it from foreign portfolio investment (FPI). In this context FDI is defined as an exploitation of resources (investment) done by an inhabitant of one country in another country and it is characterized by long-term character or of "lifelong interest." In this regard it is observed that the country of inhabitant is dissimilar from nationality or citizenship. The second issue to observe is that the one who made the investment (investor) has a "considerable level of power or influence" on the running of the project. For functionality reasons, 10 % ownership of the voting stocks or voting authority is the grade of possession essential for a direct investment concern to be existing (IMF, 1993, OECD, 2008,). This 10%minimum level is set as recommendation to refine global comparability. When countries are new to FDI data (statistics), they should follow the same criteria of 10%. Nonetheless, when the country is not stick to the 10 % regulation must clarify, wherever possible, the total value of dealings which diverge from the regulation so as to make possible global comparability. The definition of FDI can come in synchronization with the "United Nations Conference on Trade and Development" (UNCTAD) and its "World Investment Report" 2006, which affirm that "FDI is an investment including a long-standing affiliation and try to be like a lasting benefit and monitoring by a inhabitant unit in one country (foreign direct investor or parent enterprise) in project inhabitant in a country different than that of the overseas direct investor". Other definition is that, FDI is a type of investment that express the target of founding a long-term interest by an inhabitant project in one country (direct investor) that is inhabitant in a country different than that of the direct investor. The possession of 10% or more of the voting authority of the project inhabitant in one country by an investor inhabitant in another country is a proof of such an association. Global FDI flows picked up in year 2014, raising to seventeen percent 17% in third quarter and three percent by the end of the year, indicating a total nine percent rise at the end of 2014 compared to the beginning of the same year. For the year 2014, worldwide FDI flows were $ 1.3 trillion, which is two percent lesser than 2013, this reduction was attributed to one transaction in which Verizon bought out Vodafone's advantage in its United States setups in the first quarter (Figure 1)



Source: IMF and OECD (2014).

Figure(1): Worldwide FDI movements (1999 -2013 $ billions)

Trends of FDI in Oman

The portion of the FDI inflows to GCC countries where Oman is located, showed a drop from 1.74 % in 2011 to 1.65 % in 2013. Oman, along with UAE, has reserved an upright pathway of FDI movements from the decade of 90s. FDI listed a rise of fifty six percent in 2013 in comparison to 9.2 % for the UAE. In addition to that the environment of business in Oman has enhanced massively to the degree that it become the third rank among the countries of Middle East and North Africa (MENA), and ranked as 47th internationally concerning the easiness of making business due to the World Bank classifications in year 2013.

FDI is considered as energetic to Sultanate of Oman due to different reasons. In the first place, it signifies as supreme significant supports of the state's long-standing tactical plan due to the ''Vision Oman 2020'' which targets to branch out and diversify the economy to decrease its

substantial dependence on Petroleum. The second reason is that, country's oil wealth is very limited and consequently FDI can complement the economy with additional capital which can improve the effectiveness of the country economy.

To fascinate FDI, Oman has initiated several restructurings in terms of economic and financial strategies which implanted in the 'Vision Oman 2020'. The strategy underlined how to develop native human resources, diversification of the economy, the dominance of the private sector in economic activities and overseas investment elevation as key supports. In addition to that, the rules and regulations of foreign capital investment stated in 1994 with following modifications offered worthy motivations to the foreign investors. This main strategy change might make organizational and operational opportunity in the FDI series that required to be taken into account in the analysis. The motivations in that rules involved tax breaks, elimination of entrance and possession limitations, unrestricted transference of money and returns, discharge of tax on imports for inputs and capital goods, supported electricity, exemption in water and fuel duties and ensuring land at affordable smallest lease and public easygoing loans (OCCI, 2013). FDI inflows to Oman have improved noticeably in present years and have more or less direct effect on economic expansion. The organization of this paper will represent an argument of the past of FDI tracked by classifying the powerful elements that decide FDI attraction in Oman (Table 1,2 and Figure 2).

Table(1): Foreign direct investment in Oman, 2012-2014

Indicator	2012	2013	2014
Foreign Direct Investment Inner flow ($ millions)	1,040	1,626	1,180
Foreign Direct Investment Stock (million USD)	16,901	18,527	19,706.9
Number of Greenfield Investments	96	52	38
Foreign Direct Investment Inwards (in % of GFCF*)	5.5	7.5	5.3
Foreign Direct Investment Stock (in % of GDP)	22.4	24.1	25.3
Source: UNCTAD, 2014. * GFCF: Gross Fixed Capital Formation			

Source:www.Tradingeconomics.com, Central Bank of Oman

Figure(2): Oman FDI flows from 2006 to 2015 (OR billion)

In the year 2014, Oman do well in drawing FDIs value 1.18 billion USD due to UNCTAD statistics that is equivalent to 2.7% of the all Arab countries entire for the matching year. FDI steadiness received by Oman is equivalent to nearly 19.7 billion USD at the expiration of 2014, which is equivalent to 2.5% of the all Arab countries total for the similar period. As per Oman's doings concerning new FDIs (Greenfield), the FDI databank issued by the Financial Times for the last 18 years displays the coming:

496 FDI schemes are being performed in Oman by 372 Arab and overseas corporations. It is projected that the entire deal cost of these schemes, which recruit approximately eighty three thousand workers, is nearly $ 39 billion.

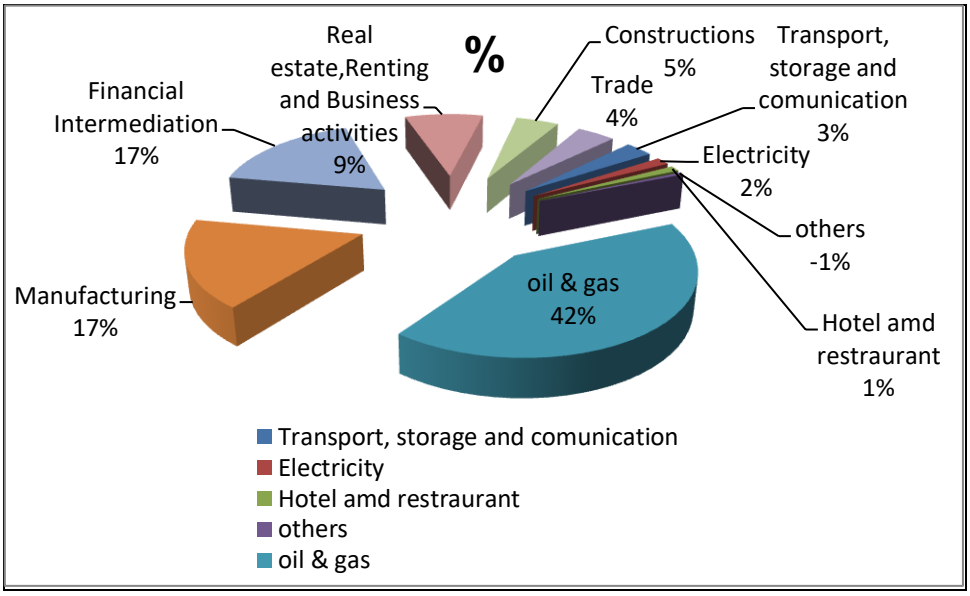
These projects are distributed among different sectors where three of them having more than 85% of the total share, oil and gas 41.5%, manufacturing 17.3% and financial intermediation 17.1%, (figure 3). Such distribution ensures the heavy reliance of Oman on oil since most of the foreign investments are concentrated in oil sector.

The government of Sultanate of Oman has in the recent past been very keen in promoting more foreign investors in the country (Table 1) so as to sustain and enhance its economic growth for the purpose of realizing its main economic diversification strategy. Foreigners owning businesses is usually permitted as long as the unforeseen investment plans to put economic growth of the country as their main agenda. Additionally, there are no turf restrictions on repatriation of capital and exchange currency together with dividend transfer (World Bank, 2014).

Table(2): FDI Inward by country in Oman 2003 - 2015

Rank	Exporting countries	No. companies	No. Projects	No. Jobs	Cost(Million $)
1	India	65	85	17,692	6,313
2	United Kingdom	31	34	6,099	4,575
3	China	3	3	370	3,473
4	United States	38	48	4,915	3,211
5	UAE	81	127	19,013	3,036
6	Qatar	15	21	2,826	2,841
7	Canada	3	4	3,595	2,157
8	Germany	13	13	1,797	1,888
9	South Korea	5	5	1,133	1,746
10	Kuwait	16	18	7,943	1,585
11	Singapore	10	10	1,925	1,575
12	Australia	3	3	346	893
13	France	16	19	1,841	849
14	Holland	10	10	924	686
15	Bahrain	8	9	348	504
16	Saudi Arabia	7	18	3,269	494
17	Egypt	3	5	1,017	411
18	Brazil	1	3	452	354
19	Switzerland	2	2	1,566	353
20	Hong Kong	3	4	775	352
21	Cote d'Lvoire	2	2	726	300
22	Bermuda	1	1	200	230
23	Sri Lanka	2	14	218	203
24	Thailand	3	3	420	200
25	Austria	3	3	399	143
26	Spain	3	3	225	114
27	Japan	4	4	488	105
28	Serbia	1	1	875	97
29	Belgium	1	1	192	79
30	Jordan	1	1	192	79
	Others	18	22	1,129	284
	Total	**372**	**496**	**82,910**	**39,128**

Source: FDI Intelligence from the Financial Times



Source: Central bank of Oman (CBO)

Figure(3): FDI by sector in Oman 2014

Statement of the Problem:

In literature most of the studies concluded that economic growth relies significantly on domestic and foreign investments together. Likewise, the velocity of influx of foreign capital also relies to a large extend on the level of economic growth in host country. If we take Oman then there exist a correlation between investment and growth. Nevertheless, practically, the influence of FDI on growth is interested with whichever the total impact on growth or with precise phases of the FDI influence on employment, know-how (technology), do business, private enterprise and other fields of the economy, like, infrastructures and other public utilities. Accordingly, the influence of FDI on economic growth still is debatable. Because of this, it is required to find out the influence of FDI on the economic growth in Oman.

Rationale of the Study:

There is an observable rising trends in FDI worldwide except in few periods. Due to UNCTAD statistics in 2007, there is an increase in FDI influx to the developing nations by thirty three percent. Given that all nations would permit and promote such investment with expectations that FDI will encourage economic growth. FDI in Oman is increasing over time except in few years so it can accelerate GDP. Experimentally, FDI inflows materialize and show up sectors that oriented for exports which in return improved the local economic growth and in addition employment opportunities. The study about FDI inflows of Oman aims to highlight the critical factors determining FDI and its influence on economic growth, because it can help in economic diversification which can improve GDP.

Objectives of the Study:

[1] To check up and test the link between FDI and economic growth.
[2] To highlight the present condition of foreign direct investment incoming to Oman.
[3] To make available a study that can be a reference to help the authorities in Oman to acknowledge and try to facilitate procedures to attract FDI inflows in Oman.

Literature Review:

Khan (2008) in his study in Bangladesh concerning FDI environment concluded that FDI is radically growing in this stage of global movement. In international process FDI is considered as one of the key factors for economic growth. Yet, the allocation and allotment of FDI is unequal at global level. The study portrays the recommendation to encourage and support the flow of FDI with a vision to insert policies and measures to reinforce the direct influences and diminish the negative impacts of FDI.

Biglaiser and Derouen, (2002) revealed in their study that International Monetary Fund is supporting foreign direct investment which may lead to participate in increasing the experiences across countries in addition to improving technology, education, health services and infrastructure, where this will ultimately add to economic development. Khrawish and Siam (2010) scanned the risks on foreign direct investment that comes from financial and economic aspects, and reached to the conclusion that there is direct association between financial and economic elements and FDI which was attributed to the money incentive and advances of communications and motivate the local skills and excellent policies. Hornberger et al. (2011) specified that foreign direct investment improve the value of life through its significant contribution to development and economic growth.

In Oman the experience of the private-public sector can be seen through Knowledge Oasis Muscat (KOM). It is working as hub for technology that comes through foreign direct investment. KOM is defined as local, which is quite favorable for businesses that are foreign technology oriented, together with establishing blue chip multinationals, who have the desire of flourishing and innovating within the Gulf setting (Abdallah, 2015). The main incentive provided to the foreign investors comprise of being 100% foreign ownership (there is no need of local sponsors); there is a required minimum investment capital of around OR 20,000 in a position to access high-speed internet with rates that are very competitive, low level of omanization required. KOM tenants have the ability of being registered on the tender board and hence capable of bidding for state tenders, no individual earnings tax imposed on the workers and foreign exchange control, a duty-free access of products to GCC countries from Sultanate of Oman, offering foreigners with networking meetings, environment and events that give encouragement of collaboration and mutual support (Abdallah, 2015).

Other than the traditional forms of foreign investments being encouraged by Sultanate of Oman in the Dhofar region, the Government of Sultanate of Oman had also signed an agreement on free trade with the United States of America in which case the American businesses and the kind of establishments that are willing to open branches and provide services or goods in the Dhofar Governorate have the freedom of doing that before they even obtain contracts or conformity with the Sultanate of Oman administration or any of its business or an individual having the shareholding of the government, due to that foreign direct investment has its footprint into economic growth (Abdallah, 2015).

Fosu et al (2007) analyze the long-standing effect of FDI along with commerce on economic growth in country of Ghana. He finds that FDI has negative effect on economic growth where as it has positive effect on trade. Related to employment, Hijzen et al. (2011) evaluate the industrial and service sectors in France using data for 12 years(1987 -1999). They verify that FDI in industrial sector is linked with important measure effects, causing job making. In addition to that they prove that FDI in service sectors is linked with important positive employment effects, seemingly, indicating the significance of the market-seeking drive in these sectors.

In 2005 Johnson analyzes panel datafor different 90 countries for 12 years (1990-2002) to reach to the conclusion that FDI influxes improve economic growth in less developed and developing economies.

Omer and Sufyan (2015) in their study about FDI in Oman examined the factors affecting FDI in Oman from 1980 to 2013 and publicized that the main factors governing FDI flows to Oman are scope of the market, degree of openness, inflation and natural resources. Depending on the investigations, FDI is directly connected to natural resources and market size while indirectly related to degree of openness and inflation.

Seiko M. Z.(2016), has examined the influence of FDI on Economic growth using panel data from fourteen countries in East Africa for the period1980 to 2013. He uses the dynamic generalize method of moments (GMM) estimators after testing for autocorrelation and model specification tests. He decided that FDI is a main guide of economic growth and a promoter to economic conditional gathering in Eastern Africa; therefore , the sub region requisite to attract more FDI by refining investment condition, strengthening regional integration, developing human capital and basic infrastructure, and promoting export-oriented investment

Mohammed & Mahfuzul, (2016) study the association between FDI and economic growth in Bangladesh with the support of time series data for 1973 to 2014. They show that there is a direct association between FDI, trade, and growth rate of per capita GDP. They implement the Vector Error Correction Model (VECM) analysis and find a long-standing association concerning the variables under test. To investigate the legality of VECM model, they applied some analytical tests before examining the data, and they come to a conclusion that "the residuals of the regressions do not bear any auto-correlation and have a normal distribution". Foreign investment and trade have a major influence on the growth rate of GDP per capita.

Nwaogu and Ryan (2015) examined how FDI, foreign aid, and remittances influence the economic growth of 53 African and 34 Latin American and Caribbean countries and found that, for Latin America and the Caribbean, foreign aid and remittances affect growth when estimated separately, while remittances affect growth when they are estimated simultaneously. Their results also show that both regions' results confirm that spatial interdependence is important. Sun and Anwar (2016) utilizes panel data from six Chinese transformative businesses for three years 2005–2007 to clarify the interdependence between foreign incidence, home sales, and export density of local firms. They originated that home sales and exports are integrating (complementary) for local firms in China's pharmaceutical industry, while in the textile industry, transportation tools, drink, communication tools, and general equipment manufacturing industries, domestic sales and exports are substitutes

An empirical analysis of Ghana during the period 1997-2011 carried out by Sakyi, Commodore, and Opoku (2015) proposed that an increase in FDI inflows activates positive GDP growth in the long-run. Similar outcomes were concluded by Javaid (2016), the FDI has a substantial positive effect on the GDP growth of Pakistan equally in long-term and in short-term. Likewise, other elements such as the inflation and the population similarly indicate significant impacts on the GDP in the long run. An empirical investigation of Bangladesh, done by Hussain and Hague (2016), showed that there is a link between FDI, trade, and growth rate of per capita GDP. The further outcome presented that trade and foreign investment indicators have a significant effect on the growth rate of GDP per capita (Hussain & Haque, 2016). In contrast, a study by Gunby, Jin, and Robert Reed (2017) shown that the impact of FDI on Chinese economic growth is far lesser than one would assume from a credulous aggregation of present estimates. Alvarado, Iñiguez, and Ponce (2017) clarified that FDI has a direct and significant impact on the GDP in high-income countries, whereas in upper-middle-income countries the effect is uneven and non-significant. Khun Sokang (2018) examines the effect of FDI on the economic growth of Cambodia using time series data for the period 2006-2016. He implemented multiple regression analysis and correlation matrix methods to examine the obtained data. The outcomes of the paper show that FDI has a direct (positive) impact on the economic growth of Cambodia. Victor and Christopher (2019), examine the effect of FDI on economic growth in states in South America. Furthermore, the study explains the causal relationship between FDI and growth in the region. The Pedroni co-integration test founds a long-run relationship between FDI and economic growth in a panel of ten countries in South America. The long-run estimates of the study find a significant direct effect of FDI on economic growth in the region. The Vector Error Correction Model (VECM) outcomes show a short-run bidirectional causality between FDI and economic growth. The error-term is negative and

significant. This specifies the existence of long-run equilibrium association among the variables.

From the literature discussed above, we observe that FDI has a positive relation with gross domestic product, in the sense that it affects GDP passively according to many studies.

Methodology:

- **Data collection**

The paper exploits time series data to determine the impact of FDI on economic growth within the period of time from 1990-2014. The main sources of data are Word Development Indicator Website, the official publications of the Central Bank of Oman, Ministry of Finance Reports, World Bank Reports, United Nations Conference on Trade and Development (UNCTAD) and its World Investment Report, Journals, other Periodicals and the Internet.

- **The theoretical model:**

This paper tries to describe and analyze broad literature to find out the proper variables to explain the impact of foreign direct investment on growth from time series data. Accordingly, the influence of FDI on economic growth still is debatable. Because of this, it is required to find out the influence of FDI on the economic growth in Oman. Based on the intricate linkage between FDI and growth, many other variables are explained like export and employment. The paper employed multiple regression analysis to determine the level of FDI impact on economic growth in Oman. The multiple regression results were obtained by using the Ordinary Least Squares (OLS) method and employing SPSS. To examine the relation of Oman's FDI with GDP, employment and exports, the following theoretical model is used.

$GDP = \alpha + \beta_1 FDI + \beta_2 Emp + \beta_3 Exp + \mu$

Where,

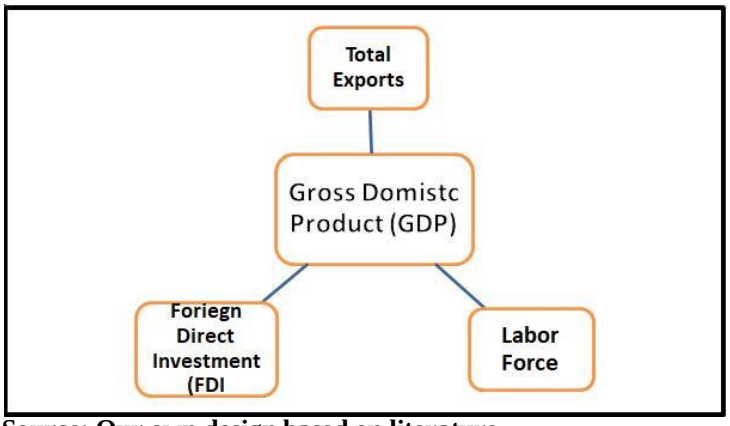
GDP = Gross Domestic Product

FDI = Foreign Direct Investment

Emp = Employment

EXP = Exports

μ = Residuals



Source: Our own design based on literature

Figure(4): theoretical framework

The above theoretical framework indicates the relationship between dependent variable and independent variable, where GDP is dependent on different variables like foreign direct investment l, exports and labor force.

The paper also applies Granger-causality test (1969) to examine causality between GDP and FDI. We use this test because there is debate in the literature about this relation in the sense that the

direction of causality is not clear. Even though a part of economic theorists consider that economic growth (GDP) causes FDI, others theories believe that FDI causes economic growth. Granger causality could have more to do with estimate, than with causation in the usual sense. Granger causality proposes that while the past can cause/forecast the future, the future cannot cause/forecast the past. Thus, in a regression of FDI on GDP,(containing its own past values-lags) if we include past or lagged values of GDP and it significantly improves the prediction of FDI, then we can say that FDI (Granger) causes GDP. A similar definition applies if GDP (Granger) causes FDI.

For causality test the following regressions are estimated, where it is supposed that the disturbances are uncorrelated. To test for causality hypotheses, the F-test is useful to be applied,

$$GDP_t = \alpha_0 + \sum_{i=1}^{2} \alpha_i GDP_{t-1} + \sum_{j=1}^{2} \beta_j FDI_{t-j} + \mu_{1t}$$

$$FDI_t = {}_0 + \sum_{i=1}^{2} {}_1 FDI_{t-i} + \sum_{j=1}^{2} \beta_j GDP_{t-j} + \mu_{2t}$$

Results and Discussion:

Table (3) reports the ordinary least squares (OLS) estimates of the GDP equation, where figures in the parentheses are the t-ratios of the estimated parameters. The explanatory variables in this equation are foreign direct investment (FDI), exports (EXP) and employment (EMP)

Table(3): OLS Estimates of the Equation of impact of FDI on GDP

Variables	
Constant	23.232 (5.070)
FDI	2.033E-009 (1.680)**
Exports	1.093E-010 (0.542)
Employment	1.795E-005 (2.310)**
Adjusted R^2	0.869
F- Ratio	54.193*
Durbin-Watson	0.360
Number of observations	25

Source: own calculation based on SPSS results

Notes:
1. Dependant variable: GDP.
2. Values in parentheses are t-ratios.
3. * means significant at 1%
4. ** means significant at 5%.

We observe from table (3) that the regression equation is significant at 1% level, while the coefficients of FDI and employment are significant at 5% level; the coefficient of exports is insignificant. All coefficients have the expected signs (positive) which is consistent with the theory and most of the studies. These results indicate the positive relationship between FDI and GDP. According to Durbin-Watson test, there is positive multi-co linearity between explanatory variables (0.360).We tried as many transformations as possible to eliminate the multi-co linearity (high correlation) between the independent variables (FDI, Employment, and Export), however all the models showed VIF greater than 5 which mean that still multi-co linearity is existing. The only possible way to remove multi-co linearity is to adopt a reduced model that has only Employment & FDI as independent variables (dropping the problematic variable, in this case it is the 'Exports), the new model

produced a variance inflation factor (VIF) of 1.20 (that means there is no multi-co linearity).See table four below:

Table(4): OLS Estimates of the Equation of impact of FDI on GDP

Variables	
Constant	21.030 (10.091)
FDI	2.428E-009 (2.551)**
Employment	2.200E-005 (10.531)*
Adjusted R^2	.873
F- Ratio	83.835*
VIF	1.2
Number of observations	25

Source: own calculation based on SPSS results

Notes:

1. Dependant variable: GDP.
2. Values in parentheses are t-ratios.
3. * means significant at 1%
4. ** means significant at 5%.

Table(5): Pairwise Granger Causality Tests

Null Hypothesis	Lags: 1			Lags: 2		
	Obs.	F-Stat	Prob.	Obs.	F-Stat	Prob.
GDP does not Granger Cause FDI	24	17.649	0.943	24	17.649	0.057
FDI does not Granger Cause GDP	24	994.297	0.083	24	380.711	0.014

Source: own calculation based on SPSS results

The table 5 illustrates the outcomes of the Pairwise Granger Causality Tests in Lags: 1 and Lags: 2 correspondingly. The total number of years the previous behavior of the variables takes to influence considerably on the present period is specified by the lags. This allows us to conclude how historical records of the variables for a short period of one year and a medium period of two years influence their present value.

The outcomes in Lags: 1 (Table 5) express that there is a bidirectional relationship between FDI and GDP in Oman. Due to Table.4, the F-value of 994.297 is statistically significant at 1% level of probability. Therefore, the null hypothesis that FDI does not "Granger cause" GDP is rejected. Also, the null hypothesis that GDP does not "Granger cause" FDI is rejected as judged by the F-value of 17.649. Henceforth, the Granger causality test approves bidirectional causality from FDI to GDP and from GDP to FDI. In this case we can conclude that FDI cause GDP.

The Granger causality test outcomes approve the consent between economists that FDI have vital constructive influence on the country's economic growth effort. Thus, FDI exercises positive effect on the growth of the economy, using GDP as a proxy in Oman.

The outcomes of the paper are very notable and consistent with the outcomes attained by other authors (researchers) concerning the link between FDI and economic growth. Wang and Blomström (1992) concluded that FDI flows have a substantial influence on the economic growth and it deeds as a powerful force in the economic growth process. Podrecca and Carmeci (2001) shown the outcomes that investment, which includes FDI, is the supreme vital economic growth determinants as identified by neoclassical and endogenous growth models. The FDI has a significant positive impact on the GDP growth of Cambodia both in long-term and in short-term. Also this study is in line with (Chakraborty & Nunnenkamp, 2008) who conducted study for the Indian economy as a whole, it was found that FDI stocks and output are co-integrated in the long run.

Conclusion:

This study empirically assesses the association between FDI and Economic Growth in Oman. Proof from the study presented a direct link between FDI and GDP throughout the period under appraisal. All coefficients have the expected signs (positive) which is consistent with the theory and most of the studies. These results indicate the positive relationship between FDI and GDP.

So, the great potentials of FDI for accelerating the pace of economic progress of Oman cannot be overemphasized. Foreign investments cater for job creation requirements, income generation, utilize national savings productively and bring about the process of economic growth. FDI has been traditionally found to help attract skilled labor, entrepreneurship, technological know-how and direct flow of foreign resources including foreign exchange. These factors supplement the existing domestic resource base and promote growth when they flow into the economy. The Granger causality test outcomes approve the consent between economists that FDI have vital constructive influence on the country's economic growth effort. Thus, FDI exercises positive effect on the growth of the economy, using GDP as a proxy in Oman.

The study conclusions have stayed consistent with the preliminary anticipations (as it is the case in many studies) and have pointed that foreign direct investment has a positive relation to economic growth and has a crucial role to show in Oman economy. However FDI showed a positive relationship, its support to economic growth in Oman during the study period was significant. Understanding the track of causality between the two variables is vital for conveying policies that would motivate more private investors in Oman.

Furthermore, this study shows that the relationship of the variables is also verified to grasp in the long run. Therefore, investment rules and regulations encouraging FDI in Oman and boosting foreign investment should be framed and applied.

Recommendations

- The paper support enhancement in the investment environment for foreign capital in order to improve competitiveness and strengthen the bargaining situation of the country in the emerging globalized economy.
- Motivations and easing of doing business should pursue and updated for foreign investors so that they likely to invest in the country instead to investing in the other country in the rejoin.
- Improvement of education system to produce skilled labor which is very important for foreign investors.
- Government should keep the same measures that stabilize the exchange rate that may attract more investors for sake of higher profits.
- Improve quality of infrastructure, which performing as a vital role for the growth of any economy. The countries which have good physical infrastructure are considered as the best attractive hosts for the FDI.
- Economic restructuring means the relocate of funds (resources) from fewer productive to extra productive sectors of the economy. True growth of production is positively correlated to the effectual process of economy reform from the fewer productive to the extra productive sectors of the economy. FDI can be used for that to transfer funds (resources) from less productive to more productive sectors of the economy and then achieve sustainable development.

Further Studies

- Study on FDI and regional development: Case of Integrated GCC Countries
- Impact of different types of FDI incentives on both the overall economic growth as well as in the geographical distribution of economic activity across GCC countries.
- The role of Foreign direct investment in raising a region's technological level, its productive efficiency and its ability to compete internationally.

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