

-RESEARCH ARTICLE-

ROLE OF ECONOMIC FACTORS ON FOREIGN DIRECT INVESTMENT INFLOWS IN THE GULF COOPERATION COUNCIL COUNTRIES

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—Abstract—

Economic factors have played a critical impact on foreign direct investment (FDI) inflows and require the attention of scholars to enhance economic conditions and the country's FDI position. Therefore, this study investigates the effect of economic factors such as economic growth, taxes on international commerce, technology adoption, labor force, and ease of doing business on foreign direct investment (FDI) inflows in Gulf Cooperation Council (GCC) nations. Following secondary data-gathering methodologies, this article retrieved secondary data from the world development indicators (WDI) from 1986 to 2020. The relationship between the understudy variables was analyzed using the autoregressive distributed lag (ARDL) model. Results indicated

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that economic growth, taxation on international commerce, technology adoption, labor force, and ease of doing business positively correlate with FDI inflows in GCC nations. This article instructs regulators on designing policies about FDI inflows by utilizing effective economic elements that boost FDI inflows.

Keywords: Economic growth, taxes on international trade, technology adoption, labor force, ease of doing business, FDI inflows

1. INTRODUCTION

The corporate world is undergoing fast change. Several reasons, including technological transformation and globalization, are responsible for these shifts. These adjustments conclude in various ways with their effects on the country's financial standing. The business community is the economic backbone of any nation. Investment determines the success or failure of a business. Thus, the concept of FDI has developed rapidly during the past few decades. In the past, nations shied away from foreign investments, but as time has passed, economies are now exchanging resources, technology, ideas, and investments to ensure sustained economic growth. FDI is crucial to the economic development of both developed and developing nations. It is the primary source of capital inflows to the host nations. It also leads to the transfer of technologies and the knowledge of how to use them and an increase in employment in the host countries. Accordingly, FDI boosts the productivity of those firms receiving foreign capital.

As a result of the transfer of technologies and talents to the host country, it affects all businesses in the region. Additionally, it fosters international trade in the host nations. Developing countries worldwide eased the restriction on FDI, and many of them aggressively offered tax incentives and subsidies to attract foreign capital [Hussain, Bashir, and Shahzad \(2021\)](#); [Sokhanvar \(2019\)](#). As a result of these policy changes, a surge of private capital flowed to developing countries from the developed countries in the 1990s. Now FDI accounts for almost 60 percent of the private capital flow to the developing countries in the world. Investors worldwide now prefer to invest in developed countries because they have a low literacy rate and a high labor rate with less capital-intensive production and cannot grow independently. Inexpensive raw materials and labor in these nations enable investors and businesses to maximize their profits. [Salahuddin, Alam, Ozturk, and Sohag \(2018\)](#). The link between school enrollment rate and foreign investment is quite positive, demonstrating the mutual reinforcement between human capital and foreign expertise that accompanies FDI.

FDI and economic growth are the most crucial factors for rising nations. Public policy analysts, scholars, and economists have paid particular attention to this connection. Public investment, financial development, macroeconomic stability, exports, and human capital have influenced economic growth over time. In addition, international trade is a growth factor for developing nations since it enables them to attract FDI. When other nations take the initiative to invest, international trade positively affects the host nation.

Typically, countries that seek gulf membership maintain international trade through an association. [G Salahuddin et al. \(2018\)](#).

On the other hand, FDI is the most prominent aspect of the globe, backed mainly by technological adoption. The role of technology in industrial and economic growth has been acknowledged worldwide. The successful boosting of revenues is closely tied to industries and economies. The policies and regulations have an important influence on the development of commercial ease. Investors and people, and organizations in the business world benefit from the convenience of conducting business [Raza, Shah, and Arif \(2021\)](#). The easier it is to transact business, the better—registering property, acquiring financing, and enforcing contracts are easier.

Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman are members of the Gulf. All of these economies are located in the Middle East. All economies are abundant in natural resources such as oil. In May 1981, the GCC was established in Riyadh, Saudi Arabia. The objective of the GCC is to unite its members around shared political and cultural identities founded on Arab and Islamic traditions. The presidency of the council is rotated annually. FDI is regarded as one of the primary contributors to the economic growth of developing nations. It aids the host country in increasing tax income and labor skills and controlling unemployment. The Gulf states have witnessed a significant increase in FDI inflows in recent years, resulting in the rapid economic expansion [Al Samman and Jamil \(2018\)](#). Gulf states have made several efforts to boost their attractiveness to investors.

Bahrain eliminated restrictions on non-GCC enterprises owning buildings and leasing land, Kuwait approved a law allowing foreigners to hold 100 percent of Kuwaiti firms, Oman likewise permitted 100 percent foreign ownership of firms, and Qatar permitted 100 percent foreign ownership of firms. Saudi Arabia formed the associative investment authority whose job is to expedite FDI processing. The United Arab Emirates desires to build the emirates as the worldwide center for commerce in research and development and thus launched many free trade zones for this goal. By the end of 2017, 1833 FDI inflows and outflows totaling \$1996 billion US dollars [Elheddad \(2019\)](#). In the past decade, the foreign direct investment (FDI) inflows of Gulf Arab countries have surged considerably, from \$5.5 billion to \$72.4 billion. Arab nations lagged considerably behind Europe, the United States, and Asia in outflows. Saudi Arabia and the United Arab Emirates were the main hosts among Gulf countries in 2007, drawing more than 51 percent of the total Arab influx. Qatar, Kuwait, and Bahrain account for more than 94 percent of 2017's foreign direct investment (FDI) outflows [Othman \(2022\)](#). [Figure 1](#) depicts FDI inflow into Gulf economies.

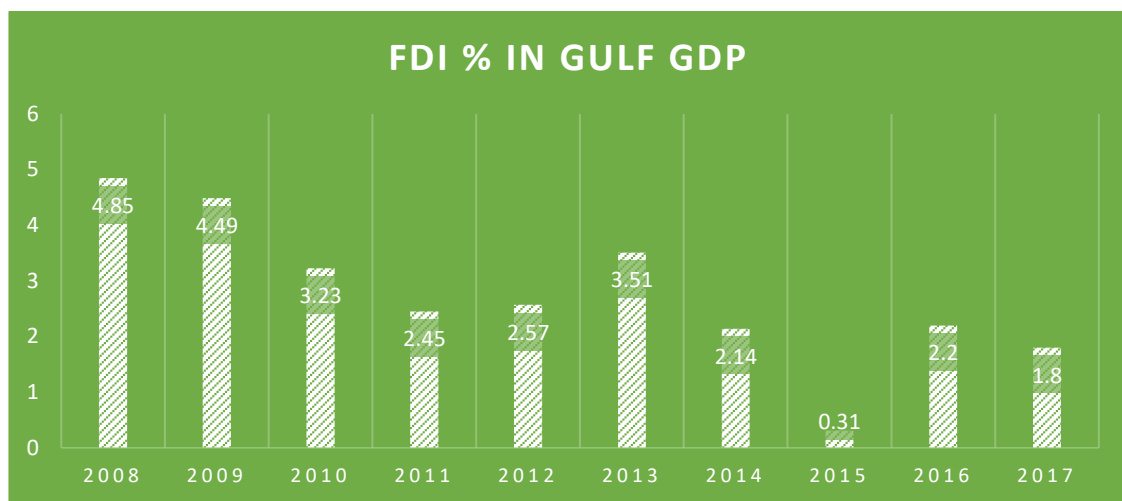


Figure 1: FDI percentage in Gulf economies

The present study will address several gaps in the existing literature, such as 1) FDI is one of the most critical topics, and economic factors studied extensively but still has many new elements. 2) [Adedoyin, Bekun, Driha, and Balsalobre-Lorente \(2020\)](#) and [Malik et al. \(2020\)](#) investigated the relationship between foreign direct investment (FDI) and economic growth (globally). In contrast, the current study will examine the various macroeconomic factors such as taxes on international trade, technology adoption, labor force, and ease of doing business in Gulf nations. 3) The equation of FDI, economic growth, taxes on international trade, technology adoption, labor force, and ease of doing business in Gulf countries has not been evaluated previously. 4) [Davies, Siedschlag, and Studnicka \(2021\)](#) and [Okafor \(2020\)](#) evaluated the influence of taxes on FDI, but the current study will incorporate macroeconomic factors such as and investigate the equation using a new data set. 5) [Razzaq, An, and Delpachitra \(2021\)](#) and [Nguyen, Pham, and Sala \(2022\)](#) investigated whether technology has an impact on FDI. In contrast, the current study will add the macroeconomic factors, i.e., taxes on international trade, labor force, and ease of doing business, and test the equation with a new set of data from the Gulf countries' perspective. The significance of the study is 1) that it will highlight the importance of FDI on the economic factors of the country, particularly in Gulf countries; 2) that it will assist professionals in revising their policies regarding FDI for the improvement of the economies of Gulf countries, and 3) that it will assist researchers in exploring additional facets of FDI that enhance the economy of the country.

The paper is divided into different phases; the first phase is about the introduction, and after an introduction, the second phase of the study deals with evidence regarding FDI, economic growth, taxes on international trade, technology adoption, labor force, and ease of doing business in the light of the past studies. The third phase of the study will

shine the spotlight on the methodology applied to collect the data regarding FDI, economic growth, taxes on international trade, technology adoption, labor force, and ease of doing business and analyze its validity. In the fourth phase of the study, results and findings will be presented, and then in light of other authors' findings, the discussions will be made. The study implications, conclusion, and future recommendations will be presented in the last and final phase.

2. LITERATURE REVIEW

Economic factors have played a substantial impact on FDI inflows and require the attention of scholars to enhance financial circumstances and the FDI position in the country. Thus, the current study investigates the effect of economic parameters such as economic growth, taxes on international commerce, technology adoption, labor force, and ease of doing business on FDI inflows in the GCC countries. Foreign direct investment and economic growth are the essential variables for developing nations. Their link has attracted a great deal of attention from policy analysts, academics, and economists. Public investment, financial development, macroeconomic stability, exports, and human capital are the primary drivers of economic expansion across time.

In this connection, [Sokhanvar and Jenkins \(2022\)](#) evaluated the long-term benefits of tourism, FDI, and other elements significantly associated with economic growth improvement. Tourism and FDI play a significant part in accelerating economic growth in emerging nations. Numerous nations rely on foreign tourism and FDI. Therefore these elements contribute significantly to the economy's expansion in various crucial ways.

Similarly, [Ibrahim and Acquah \(2021\)](#) examined the causal relationship between financial sector development, economic growth, and FDI with proxy factors of finance and economic growth. FDI supports many projects in countries, and economic growth positively influences it. When any country looks forward to investment in projects and economies, the stability in economic growth poses positive results. Thus, [Hanafy and Marktanner \(2019\)](#) investigated the linkage between economic growth and FDI that assert its governing impact on the institutions, cultures, and languages. The development in every sector like tourism and industries contributes significantly to FDI. The intentions of investors are positively diverted by positive economic growth and stability. The growth of the financial sector is likewise dependent on steady economic expansion and investor-friendly legislation.

Moreover, [Sirr, Garvey, and Gallagher \(2018\)](#) evaluated the economic growth and local conditions of countries with the potential to attract FDI. The governance framework is also essential for developing the financial sector and the tourism industry. Gulf Cooperation Council countries require an effective organization, followed by integrating foreign technology and knowledge.

International trade is the driving force for economic growth in developing nations, from which they obtain FDI. Foreign investment in a country is stimulated by international trade, which has a favorable effect on the country. Countries that seek foreign direct investment typically maintain international trade. [Lee, Lim, and Meng \(2019\)](#) described economic performance and ethnic diversity through the crucial roles of trade, FDI, and education in this setting. Countries that do not engage in international trade are deemed low-quality investment destinations.

Additionally, [Kyophilavong, Wong, Souksavath, and Xiong \(2017\)](#) assessed the impacts of trade and its liberalization on FDI, which requires no taxes on international trade. Most developed countries have established tax procedures that have affected many developing countries. The developing countries need to maintain their exports to generate more revenues, but the huge taxes reduce payments. Therefore, the international taxes have somehow negatively impacted FDI. Moreover, [Esteller-Moré, Rizzo, and Secomandi \(2021\)](#) indicated complex tax systems in developing and developed countries that directly and indirectly influence FDI. On the other side, the international policies are appropriately designed so that developing countries must be indulged in international trade before attaining FDI. Primarily, the levies on foreign trade have decreased revenues while increasing FDI. In addition, [Wu and Wu \(2017\)](#) analyzed the relationship between foreign commerce and FDI in which exports are more significant than imports due to tax policy leniency in some nations. International trade has increased positively as a result of FDI. Increasing taxation in developing countries also has limited investment opportunities. These investments rely on tax-free regulations, and international trade typically collects substantial taxes on transactions. FDI is the most emphasized factor globally. The widespread adoption of technology mainly supports this. The global community has recognized the significance of technology to industrial and economic growth. Effectively increasing revenues is closely related to the development of industries and economies. [Yi and Naghavi \(2017\)](#) addressed the spillover and diffusion of innovation and technology as crucial aspects of attracting FDI. These revenues are favorably correlated with technology, facilitating FDI in this area.

Similarly, [Wen, Zhuang, and Zhang \(2020\)](#) described the effects of technology on agricultural imports and exports, which is vital for attracting FDI. In addition, FDI is highly dependent on transferring knowledge and technology. When innovations are shared between industries, investors are encouraged to invest more in those industries. In addition, [Tang, Zhang, Gao, and Wang \(2020\)](#) analyzed the influence of upgrading technology on the external and internal positive growth of industrial structure and FDI. Furthermore, FDI derives from several intangible assets that assist sectors and nations in enhancing their production. Despite this, resource allocation is the most critical aspect of increasing FDI's dominant impact. The positive diffusion of technologies and ideas boosts international trade, but it also attracts the interest of international investors.

Moreover, [Pan, Wang, and Ning \(2018\)](#) noted that the tempo and rhythm of FDI are heavily reliant on technical advancement. The positive increase in FDI supports the adoption of technology in numerous sectors. These domains include human capital, foreign direct technology, and payments for foreign technology. FDI inflows are accompanied by significant data regarding management abilities, production methods, and new materials and technology. Adoption of technology has been viewed as reasonably crucial for open international investment.

Foreign investors must analyze the labor force as a significant aspect of their investment decisions. Whether the labor force is competent and whether it will contribute to the investment or not is typically the most critical consideration when making investments. [Zhuang, Yang, Razzaq, and Khan \(2021\)](#) emphasized the opportunities and constraints associated with trade, E-commerce, labor, and food coping variables for foreign investment. Many emerging nations prioritize the labor force by addressing their weaknesses. Effectively, the workforce provides a more significant proportion of FDI based on its competencies and skills.

Moreover, [Reinsberg, Stubbs, Kentikelenis, and King \(2019\)](#) believed that the labor market's politicized economies deregulated most FDI due to discrepancies. FDI is often made after analyzing the policies and labor experience of the projects. When labor is inept, it has a strong and dominating effect on FDI. In addition, [\(Bacovic, Jacimovic, Lipovina Bozovic, & Ivanovic, 2021\)](#) investigated the paradox of labor and wage productivity as significant and prominent factors that influence FDI inflows. The labor force is evaluated based on workforce volatility and project interruptions. The stability and efficacy of the labor force enhance the attractiveness of FDI in a positive way. Foreign investment is more concerned with workforce concerns when the labor market is identified with international norms. In addition, [Sharma and Cardenas \(2018\)](#) analyzed the effects of the labor market and unemployment on the availability of FDI and the resulting consequences and reductions. Typically, overseas investors require skilled workers, which results in more efforts to complete projects and higher returns. The overseas trade channels and local labor market integration place substantial demands on FDI. The labor force is a crucial macroeconomic issue that significantly impacts FDI attraction.

The policies and regulations play a crucial influence in the corporate environment. Generally, conducting business provides investors, individuals, and organizations with hospitable settings. Facilitating commerce, registering property, obtaining financing, and enforcing contracts are significantly more accessible. [Canare, Francisco, and Morales \(2019\)](#) confirmed a short-run and long-run association between the cost of doing business, ease of doing business, and firm formation in this environment. It delivers dramatically improved outcomes in both emerging and developed economies. Even if increased FDI inflows are also anticipated when metrics of ease of doing business improve.

Moreover, [Jovanovic and Jovanovic \(2018\)](#) studied the characteristics of ease of doing business that pertain to the robustness of cross-border commerce and trade for FDI. Furthermore, FDI hurts small firms because FDI considerably improves businesses. There is a direct correlation between ease of doing business and FDI. Governments directly encourage this connection due to their involvement in attracting foreign investments to promote small enterprises. In addition, [Rogge and Kolyaseva \(2022\)](#) examined and quantified the prospects for ease of doing business that influence FDI. Large companies necessitate substantial investments, and business-friendly policies attract significant investments. In addition, [Nketiah-Amponsah and Sarpong \(2020\)](#) investigated the association between FDI and indices of ease of doing business and enhanced business results. Government support is required for ease of doing business to meet the problems posed by society and provide opportunities. These prospects are associated with living standards, financial resources, and the creation of jobs. FDI is a reliable indicator of the growth of small and large firms, which generates countless opportunities for society.

3. RESEARCH METHODS

The research examines the impact of economic growth, taxes on international trade, technology adoption, labor force, and ease of doing business on the FDI inflows in the GCC countries such as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. The present article has followed the secondary data collection methods and extracted the secondary data from WDI from 1986 to 2020. The research used the ARDL model to examine the linkage among the understudy variables. The equation of the study is given as under:

$$FDI_{it} = \alpha_0 + \beta_1 EG_{it} + \beta_2 TIT_{it} + \beta_3 TA_{it} + \beta_4 LF_{it} + \beta_5 EDB_{it} + e_{it} \quad (1)$$

Where;

FDI	=	Foreign Direct Investment
<i>t</i>	=	Time Period
<i>i</i>	=	Countries
EG	=	Economic Growth
TIT	=	Taxes on International Trade
TA	=	Technology Adoption
LF	=	Labor Force

The current research has examined the FDI inflows, taken as the predictive variables, and measured as the FDI net inflows (% of GDP). In addition, five predictors have been used, such as economic growth and measured as the gross domestic product (GDP) growth. International trade is measured as the taxes on international trade (% of revenue), technology adoption measured as the high technology export (% of manufactured exports), labor force measured as the labor force participation rate (% of

total population ages 15+) and ease of doing business measured as the ease of doing business score (0 to 100). Table 1 highlights these measurements and sources.

Table 1: Variables with Measurements

S#	Variables	Measurement	Sources
01	Foreign Direct Investment	FDI net inflows (% of GDP)	WDI
02	Economic Growth	GDP growth (annual percentage)	WDI
03	International Trade	Taxes on international trade (% of revenue)	WDI
04	Technology Adoption	High technology export (% of manufactured exports)	WDI
05	Labor Force	Labor force participation rate (% of total population ages 15+)	WDI
06	Ease of doing business	Ease of doing business score (0 to 100)	WDI

The article has applied descriptive statistics that exposed the details of the variables such as mean values, maximum values, standard deviations, and minimum values. In addition, the current research has employed the matrix of correlation to check the directional associations. Moreover, the study has run the ARDL bound test to examine the co-integration. Finally, the article has applied the unit root test, such as Augmented Dickey-Fuller Test (ADF), to check the stationarity, and the equation is given as under:

$$d(Y_t) = \alpha_0 + \beta t + \gamma Y_{t-1} + d(Y_t(-1)) + \varepsilon_t \quad (2)$$

The article has applied the ADF test to the individual variable to check the stationarity. Thus, the personal equation is given as under:

Foreign Direct Investment

$$d(FDI_t) = \alpha_0 + \beta t + \gamma FDI_{t-1} + d(FDI_t(-1)) + \varepsilon_t \quad (3)$$

Economic Growth

$$d(EG_t) = \alpha_0 + \beta t + \gamma EG_{t-1} + d(EG_t(-1)) + \varepsilon_t \quad (4)$$

Taxes on International Trade

$$d(TIT_t) = \alpha_0 + \beta t + \gamma TIT_{t-1} + d(TIT_t(-1)) + \varepsilon_t \quad (5)$$

Technology Adoption

$$d(TA_t) = \alpha_0 + \beta t + \gamma TA_{t-1} + d(TA_t(-1)) + \varepsilon_t \quad (6)$$

Labor Force

$$d(LF_t) = \alpha_0 + \beta t + \gamma LF_{t-1} + d(LF_t(-1)) + \varepsilon_t \quad (7)$$

Ease of Doing Business

$$d(EDB_t) = \alpha_0 + \beta t + \gamma EDB_{t-1} + d(EDB_t(-1)) + \varepsilon_t \quad (8)$$

The current research has used the ARDL model because the significant characteristic of the ARDL model is that it is the best model to be applied when some constructs are stationary at I(0) and some are stationary at I(1). In addition, it also controls the effects of heteroscedasticity and auto-correlation that generally exists [Mensah et al. \(2019\)](#). Finally, it can provide the short and long-run associations among the constructs. The equation of the ARDL model is given as under:

$$\Delta FDI_t = \alpha_0 + \sum \delta_1 \Delta FDI_{t-1} + \sum \delta_2 \Delta EG_{t-1} + \sum \delta_3 \Delta TIT_{t-1} + \sum \delta_4 \Delta TA_{t-1} + \sum \delta_5 \Delta LF_{t-1} + \sum \delta_6 \Delta EDB_{t-1} + \varphi_1 FDI_{t-1} + \varphi_2 EG_{t-1} + \varphi_3 TIT_{t-1} + \varphi_4 TA_{t-1} + \varphi_5 LF_{t-1} + \varphi_6 EDB_{t-1} + \varepsilon_1 \quad (9)$$

4. STUDY RESULTS

The article has applied descriptive statistics that exposed the details of the variables such as mean values, maximum values, standard deviations, and minimum values. The results revealed that the 210 observations had been used in the article. In addition, the results also indicated that the average value of FDI was 3.912 percent, while the mean value of EG was 3.882 percent. Moreover, the results also showed that the average value of TIT was 4.125 percent, while the mean value of TA was 7.092 percent. Finally, the results also indicated that the average value of LF was 7.921 percent, while the mean value of EDB was 77.012. [Table 2](#) highlights the figures mentioned above.

Table 2: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FDI	210	3.912	0.721	1.872	5.882
EG	210	3.882	1.922	1.028	9.011
TIT	210	4.125	1.221	3.191	8.102
TA	210	7.092	0.827	5.001	10.288
LF	210	7.921	1.119	5.194	12.281
EDB	210	77.012	1.910	67.102	85.201

In addition, the current research has employed the matrix of correlation to check the directional associations. The results revealed that the economic growth, taxes on international trade, technology adoption, labor force, and ease of doing business have a positive linkage with FDI inflows in the GCC countries. [Table 3](#) highlights the results mentioned above.

Table 3: Matrix of Correlations

Variables	FDI	EG	TIT	TA	LF	EDB
FDI	1.000					
EG	0.429	1.000				
TIT	0.291	0.419	1.000			
TA	0.619	-0.777	0.341	1.000		
LF	0.228	0.822	0.272	0.417	1.000	
EDB	0.372	0.633	-0.611	0.524	0.113	1.000

Furthermore, the article has applied the unit root test such as ADF to check the stationarity. The results indicated that the FDI, EG, TIT, and LF are stationary at I(0) while TA and EDB are stationary at I(1). [Table 4](#) highlights the figures mentioned above.

Table 4: Unit Root Test

Augmented Dickey-Fuller Test (ADF)	Level	t-statistics	p-values
FDI	I(0)	-3.421	0.012
EG	I(0)	-2.712	0.027
TIT	I(0)	-2.527	0.034
TA	I(1)	-6.032	0.000
LF	I(0)	-2.271	0.043
EDB	I(1)	-5.829	0.000

Moreover, the study has run the ARDL bound test to examine the co-integration. The results indicated that the f-statistics calculated value (5.68) is more significant than critical values at a five percent level of significance. Thus, co-integration exists. [Table 5](#) highlights the results mentioned above.

Table 5: ARDL Bound Test

Model	F-statistics	Lag	Level of Significance	Bound test critical values	
				I(0)	I(1)
FDI/(EG,TIT,TA,LF,EDB)	5.68	4	1%	6.33	6.91
			5%	5.11	5.51
			10%	4.15	4.88

The results of the ARDL model revealed that the economic growth, taxes on international trade, technology adoption, labor force, and ease of doing business have a positive linkage with FDI inflows in the GCC countries in the short-run. The findings revealed that if one percent changes in EG, the FDI will change by 2.811 percent in the same direction. The findings also revealed that if one percent change TIT, the FDI will

change by 0.743 percent in the same direction. The findings revealed that if one percent increase in TA, the FDI will also increase by 3.291 percent and vice versa. The revealed that if one percent change in LF, then the FDI will also change by 1.221 percent in the same direction. The findings revealed that if one percent increase in EDB, the FDI will also increase by 1.249 percent and vice versa. The results also exposed that the R square value is 0.543 and indicated that 54.3 percent of FDI variations are due to the EG, TIT, TA, LF, and EDB. [Table 6](#) highlights the figures mentioned above.

Table 6: Short Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(EG)	2.811	1.092	2.574	0.0342
D(TIT)	0.743	0.192	3.869	0.0192
D(TA)	3.291	1.201	2.740	0.0298
D(LF)	1.221	0.212	5.759	0.0000
D(EDB)	1.249	0.239	5.226	0.0000
CointEq(-1)*	-1.227	0.141	-8.702	0.0000
R-squared	0.543	Mean dependent var		-0.032
Adjusted R-squared	0.531	SD dependent var		2.212

The results of the ARDL model also revealed that the economic growth, taxes on international trade, technology adoption, labor force, and ease of doing business have a positive linkage with FDI inflows in the GCC countries in the long-run. The findings revealed that if one percent changes in EG, the FDI will change by 1.342 percent in the same direction. The results also showed that if one percent change in TIT, the FDI will change by 3.512 percent in the same order. The findings revealed that if one percent increase in TA, the FDI will also increase by 1.763 percent and vice versa. It showed that if one percent changes in LF, the FDI will also change by 3.621 percent in the same direction. The findings revealed that if one percent increase in EDB, the FDI will also increase by 2.983 percent and vice versa. [Table 7](#) highlights the results mentioned above.

Table 7: Long Term Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EG	1.342	0.263	5.103	0.000
TIT	3.521	1.243	2.833	0.035
TA	1.763	0.429	4.109	0.000
LF	3.621	1.129	3.207	0.005
EDB	2.983	1.128	2.645	0.041
C	0.912	0.211	4.322	0.000

5. DISCUSSIONS

This study investigates the effect of economic factors such as economic growth, taxes on international commerce, technology adoption, labor force, and ease of doing business on FDI inflows to GCC nations. The results demonstrated a positive relationship between economic growth and FDI inflow. These results concur with [Abdouli and Hammami \(2020\)](#) examination of the role of economic growth in FDI influx. The survey suggests that individuals and businesses from many countries desire to participate in business initiatives in the United States that offer high returns on investment without the risk of loss. When a nation's economic growth is robust and consistent, international investors have promising prospects. Consequently, a higher economic growth rate can expedite FDI inflow. These results are also corroborated by [Muhammad and Khan \(2019\)](#), who explains that when countries have a high level of economic growth, they can obtain an abundance of competitive advantages to perform better in the international market. The rising demand for domestic goods and services compels businesses to broaden their operations. Increased market demand may enhance the rate of return on shares, so encouraging foreign corporations and people to invest their funds in the United States.

Results demonstrated a favorable relationship between international trade taxes and FDI influx. These findings concur with [Hynes, Liu, Ma, and Wooton \(2021\)](#) examination of the influence of foreign trade taxation on FDI inflow. It proposes that when a government imposes high tariffs on countries ready to purchase its goods and services, its exports will decline. In light of the high costs of importing the commodities they require, those nations that believe they must participate in the production and marketing of these goods to limit excessive tariffs on international trade think they must join in the production and marketing of these goods. Therefore, the increased tax on foreign trade helps attract a substantial quantity of FDI. These results are consistent with [Kottaridi, Giakoulas, and Manolopoulos \(2019\)](#), who propose that when firms in a country engage in international trade for their products and services and the government imposes heavy taxes on international trade, it is likely that the products and services will earn a substantial amount of foreign currency. This inspires foreigners to invest in and profit from this country. Consequently, the increased tax on foreign trade supports a significant inflow of FDI.

The results demonstrated a correlation between technology adoption and FDI influx. These results concur with [Hoang, Do, and Trinh \(2021\)](#), which sheds insight on the relationship between technology adoption and FDI influx. This study demonstrates that if there is a trend of technical innovation or improvement in the performance of technologies and technological processes, economic barriers can be lowered, and GDP growth can be accelerated. When the country's economic conditions are favorable and multinational companies know, they choose to invest in domestic economic ventures. Thus, the growth in the tendency to embrace technologies promotes foreign direct

investment. These findings are corroborated by Zhuang et al. (2021), who demonstrate that enterprises with a policy to continuously adapt and adopt advancements in technologies and technical instruments encourage existing investors to maintain their investments and attract new investors. This is because a swift reaction to client needs can increase earnings and company expansion. Therefore, the investment's rate of return would be high.

The results demonstrated a favorable relationship between the labor force and FDI inflow. These findings concur with Ghebrihiwet (2019) assertion that the labor force, including the strength and productivity of workers, influences FDI inflow. Foreign investors are satisfied with the countries where the labor force has a high purchasing power and is skilled, educated, trained, talented, and intelligent, as evidenced by the previous experience of business firms operating in the country. They decide to invest their funds in these countries with the expectation of earning high returns. These outcomes are consistent with Hou, Li, Wang, and Yang (2021) identification of the link between the labor force and FDI. According to the findings of this study, when companies have a significant number of labor-force to deliver their services at low prices and give trained, qualified, and efficient people for company operations, foreign organizations assume their future success and contribute investment.

According to the findings, the ease of doing business has a favorable relationship with FDI influx. These results concur with Jovanovic and Jovanovic (2018) in that, before investing in enterprises operating in countries other than those in which the investors reside, they consider whether it would be simple for them to engage in the stated business activities in that nation. When investors discover high ease of doing business index, they are content and prepared to make a substantial investment. Therefore, ease of doing business favorably influences FDI inflows. These findings are also consistent with Nketiah-Amponsah and Sarpong (2020) findings that foreign investors prefer to invest in nations with favorable government policies, stable power supply, raw materials, political stability, labor availability, and an extensive geographical area.

6. IMPLICATIONS

The current study has theoretical as well as empirical implications. This study has great theoretical significance for making considerable contributions to economic literature. This study explores the influences of economic growth, tax on international trade, technology adoption, labor force, and ease of doing business on FDI inflow. The impacts of economic change, technology adoption, and labor force on FDI inflow have been analyzed in the past literature. But, a minimal number of studies have dealt with the role of a tax on international trade and ease of doing business in FDI inflow. The current research has a greater scope as it examines the influences of economic growth, tax on international trade, technology adoption, labor force, and ease of doing business on FDI inflow. The direct or indirect impacts of economic growth, tax on international trade,

technology adoption, labor force, and ease of doing business on FDI inflow have been the evidence from a single country. Still, this study initiates to examine this relationship between GCC countries. The present article has many implications for emerging economies such as GCC countries. This study guides the government and economists to enhance economic growth, improve technologies and capacity to adopt them, and through effective policies, manage the tax on international trade as these factors could be helpful to encouraging investment from foreign sources. This article guides the regulators in developing the policies related to FDI inflows using influential economic factors that enhance FDI inflows. The study also suggests that the government and regulatory entities improve human capital and ease of doing business by issuing effective monetary, fiscal, and trade policies to enhance FDI inflow.

7. CONCLUSION AND LIMITATIONS

This paper examined the effects of economic growth, international trade taxes, technology adoption, labor force, and business friendliness on FDI influx. The authors used a quantitative approach to collect data from selected GCC nations to examine the relationship between economic growth, taxes on international commerce, technology adoption, labor force, and ease of doing business on FDI influx. This information enables the authors to determine the relationship's genuine nature. According to the study's conclusions, there is a positive correlation between economic growth, international trade taxes, technology adoption, labor force, ease of doing business, and foreign direct investment (FDI). On the one hand, the data indicated that economic growth improves domestic product demand and marketing. Alternatively, it improves the conditions for making investments and conducting business. These variables could stimulate substantial FDI. The results demonstrated that an increase in international trade tax determines the high value of domestic products and services, increased profitability, and government, boosting FDI influx. .

Similarly, when in an economy, there is a trend to adopt innovative technologies and thus, meet the innovation requirements of customers. The resultant higher marketing attracts FDI. The availability of the labor force and the higher index of ease of doing business gives the investors satisfaction of operating business practices effectively and motivates them to invest.

Despite the study's significance, many limitations are associated with the current research. With some amendments and improvements in studies, these limitations could be removed. The analysis checks only some economic factors like economic growth, tax on international trade, technology adoption, labor force, and ease of doing business as the drivers of FDI inflow. The managerial factors, equity marketing, environmental factors, and monetary & fiscal policies impact the FDI inflow, and they deserve to be considered in the analysis of FDI. Due to the absence of these elements, the study is insufficient and requires the attention of other researchers to examine the effects of these

additional factors on FDI. Evidence from GCC countries is used to evaluate the relationship between economic growth, tax on international commerce, technology adoption, labor force, ease of doing business, and FDI influx. Countries in confined regions are insufficient to produce reliable results. Therefore, for future research, the study sample must be comprised of countries from multiple global regions.

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