

## Dynamics of Foreign Direct Investment and Economic Growth in SADC Countries: A Panel Data Analysis

Augustine Adebayo Kutu<sup>1\*</sup>, Akinola Ezekiel Morakinyo<sup>2</sup>, Segun Emmanuel Kutu<sup>3</sup>, Daramola Joseph Omoyele<sup>4</sup>

<sup>1,3,4</sup> Faculty of Economic and Financial Sciences, Walter Sisulu University, South Africa; [ade\\_kutu@yahoo.com](mailto:ade_kutu@yahoo.com), [akutu@wsu.ac.za](mailto:akutu@wsu.ac.za), [kutu\\_segun@yahoo.com](mailto:kutu_segun@yahoo.com), [dju78@yahoo.com](mailto:dju78@yahoo.com)

<sup>2</sup> Kennesaw State University, 1000 Chastain Rd, Kennesaw, GA, United States; [amoraki2@kennesaw.edu](mailto:amoraki2@kennesaw.edu)

\*Corresponding Author: [ade\\_kutu@yahoo.com](mailto:ade_kutu@yahoo.com), [akutu@wsu.ac.za](mailto:akutu@wsu.ac.za)

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### ABSTRACT

This study investigates the long run and short run dynamic impact of foreign direct investment (FDI) on economic growth in SADC region. Using the Chudik and Pesaran (2013) Panel Autoregressive Distributed Lag (P-ARDL) model and an annual data spanning 1970-2023 across SADC countries, the study finds an evidence of a long term impact of FDI on economic growth. It is further observed that despite various short-term impacts, GDP per capita and human capital have a significant long-term effects on economic growth in the region. While both FDI and GDP per capita have a strong positive impact, human capital has a negative impact on economic growth in the region. These results contribute to understanding the roles and relationships of human capital, GDP per capita and FDI in addressing SADC's development challenges. As a policy recommendation, SADC's policymakers should prioritize FDI attraction, human capital reform, job creation, infrastructure development, and institutional strengthening in order to achieve a sustainable economic growth.

**Keywords:** Foreign Direct Investment, Economic Growth, ARDL Model, SADC Region

**Jel Code:** F13; F43; E61; C22

### INTRODUCTION

Southern African Development Community (SADC) countries display considerable economic disparities and grapple with persistent low-income status, inequality, high poverty rates, and significant unemployment challenges (Mlambo, 2023). According to data from the World Bank in 2025 that highlighted the problem, the region faces significant economic challenges, including high unemployment, which averaged 12.3% between 1980 and 2019, and had further worsened by the pandemic. Youth unemployment is particularly alarming, with rates exceeding 50% in South Africa (Manamela and Ngomane, 2021). Mozambique had the highest international poverty rate in the region at 74.7%. Furthermore, income inequality persists, with the top 10% holding nearly 56% of the region's total income. The region's GDP growth is also expected to decline from 3.5% in 2022 to 3% in 2027 (World Bank, 2025).

Although, several studies have pointed out the economic dynamism experienced by this region in recent decades, it is evident that the region's economic growth is threatened by the above challenges, which could escalate into low growth rates, higher crime rates and destabilize the region if left unaddressed or not effectively addressed. For example, Gonese et al. (2023) highlighted that unemployment and poverty rate within the region is closely linked to structural issues like skills shortages or mismatches, labour market challenges (limited job opportunities), population growth, and deprivation which have perpetuate social exclusion, and inequalities, which, in turn, slowdown economic growth in the SADC region.

Although, the SADC region's economic growth forecast shows a slightly different picture. According to Fitch Ratings (2025), the region's growth is expected to accelerate to 4.6% in 2025, driven by recovery efforts in agriculture and infrastructure. However, this growth rate is insufficient to drive meaningful poverty reduction, reduce unemployment and tackle pressing development challenges due to the historically neglected agricultural sector and persistently low infrastructural investment levels across the region.

The region's countries continue to grapple with macroeconomic challenges, constrained financing, and mounting social demands, requiring policymakers to navigate complex trade-offs in their reform efforts. Another projections suggest that economic growth in the region is anticipated to continue at a sluggish pace, with projections suggesting a range of 4.1% to 4.3% for 2030 (Tichaona, 2025), which is down from the initial projection of 4.6%, thereby creating anxieties among the policymakers and threatening the potential growth of the region.

Nevertheless, the role of Foreign Direct Investment (FDI) is increasingly recognized as a key driver of growth, poverty reduction, and job creation across the world, while also strengthening institutional capacity through private capital flows, as highlighted by Bekere and Bersisa (2018). As a result, this study seeks to examine the dynamic impact of foreign direct investment on economic growth for the Southern African Development Community (SADC) region. The significance of FDI as a form of external finance to the SADC region reflects not only the fact that firms increasingly find benefits in expanding their production across many countries but also stems from its potential to boost productivity and employment, making it an attractive option for developing countries over other forms of investment, as noted by Jugurnath et al. (2016).

According to the Solow growth model, Foreign Direct Investment (FDI) enables host countries to exceed domestic savings limits, enhancing capital formation and boost short-term economic growth (Bekere and Bersisa, 2018). However, due to diminishing returns on capital, this growth effect may be temporary, with the economy reverting to its steady-state growth rate in the long term. In contrast, endogenous growth models suggest that FDI can lead to sustained and long term growth through technological advancements, efficiency gains, and productivity improvements. Supporting this perspective, Zamani and Tayebi (2022) find that FDI spillovers significantly boost economic growth, and have a long-term positive impact.

Consistent with endogenous growth models and various research findings, SADC countries have remained heavily reliant on Foreign Direct Investment (FDI), which has surged globally, increasing from 17% in 1990 to 55% across Africa countries in 2014 (Kargbo, 2017) and exceeding 70% in 2023. According to UNCTAD (2024), "Africa (including the SADC countries) attracted a record US\$97 billion in FDI in 2024, which is a 75% surge compared to the previous year". Notwithstanding the growth in FDI inflows, the SADC region's current national savings and investment levels remain inadequate to drive sustainable development. Against this backdrop, our research seeks to re-evaluate the FDI-economic growth nexus in the SADC region, offering a new perspective on this vital relationship.

After an extensive review of the literature, only Mugowo (2017) through a master's dissertation and Mahembe and Odhiambo (2016) and Gibogwe et al. (2022) that have attempted to assess the impact of foreign direct investment on economic growth in SADC region. Therefore, there is a limited research that has been done in the region and as a result, a further research is needed to provide new insights into this complex dynamic and bridge the knowledge gap in the region.

Following this introduction, the remainder of this paper is organized as follows: section 2 provides a concise literature review, covering theoretical and empirical perspectives on the dynamic impact of FDI on economic growth in SADC region. Section 3 outlines the data and methodology employed, while section 4 presents an in-depth analysis of the findings. Section 5 discusses the study's limitations and suggests areas for future research. Finally, section 6 concludes with a summary of the main findings and implications.

## LITERATURE REVIEW

This section provides an overview of the theoretical and empirical literature on the relationship between Foreign Direct Investment (FDI) and economic growth in SADC region, laying the groundwork for our analysis. The section is presented below:

### The Theoretical Review

The FDI-economic growth relationship is rooted in various theoretical frameworks, including neoclassical theory, endogenous growth theory, and technology spillover theory. For instance, neoclassical economic theory posits that FDI inflows drive economic growth by transferring technology, enhancing productivity, and catalysing domestic investment. This implies that according to neoclassical theory, FDI inflows contribute to economic growth by bringing in capital, technology, and managerial expertise. This view is supported by Silajdzic and Mehic (2015) that "FDI contributes to economic growth predominantly through knowledge spillovers, and that the higher

level of technological development proxied by government and business R&D expenditures is associated with better growth performance among transition economies”. Ramzan et al. (2019) that explored whether FDI contributes to economic growth in a panel data set of 70 developing economies from 1980 to 2015 also supported this view and revealed that FDI exhibits a positive impact on economic growth.

In contrast to other theories, endogenous growth theory emphasizes that FDI drives long-term growth by generating positive spillovers, including technological advancements and knowledge sharing, which boost domestic industries' productivity and innovation. The recent empirical findings from Marasco et al. (2024) supported this view and revealed that technology plays an important role in determining the FDI-Growth relationship. Based on the study, the result shown a U-shaped relationship between FDI and economic growth and a strong evidence that in the manufacturing sector, FDI with a higher technological content exhibits a positive association with growth in the host country.

The Technology spillover theory posits that FDI generates knowledge transfer and productivity gains, boosting the host economy. Vujanović et al. (2022) that carried out a study titled “FDI spillover effects on innovation activities of knowledge using and knowledge creating firms: Evidence from an emerging economy” supported this view. Therefore, building on neoclassical, endogenous growth, and technology spillover theories, this study investigates the dynamic impact of FDI on economic growth in SADC region.

### **The Review of Empirical Literature**

Although, there is a dearth of literature that have examined the relationship between foreign direct investment (FDI) and economic growth in SADC region, nevertheless, many researchers have extensively examined the relationship in Sub-Saharan Africa region, providing useful perspectives on this complex issue. For instance, Asiedu's (2002) study of 30 SSA countries provided empirical evidence that FDI boosts productivity, innovation, and economic growth, highlighting FDI's role in improving total factor productivity. Similarly, Musibau et al. (2019) found strong evidence that foreign capital inflows and human development significantly impact economic growth in ECOWAS countries, with FDI and domestic investment positively correlated with growth.

Focusing on the SADC region, Mahembe and Odhiambo (2013) revealed that the SADC countries implemented economic reforms, including privatization, liberalization, and structural adjustments, which significantly boosted FDI inflows, particularly from developed nations with the aim of tackling their developmental challenges.

In assessing the FDI-growth nexus, Gibogwe et al. (2022) agreed with Mahembe and Odhiambo (2013) and found that the SADC region has seen a steady rise in FDI inflows over three decades, with their study confirming a positive and statistically significant impact of FDI on economic growth, consistent with previous research in the region and Sub-Saharan Africa region. Although, Mugowo (2017) revealed that FDI does not seem to have independent effect on economic growth, their study revealed a negative effect of FDI on economic growth in the SADC countries for the period of 1980 to 2015.

In another development, Mahembe (2014) and Mahembe and Odhiambo (2016) revealed that economic growth drives FDI inflows into SADC countries, revealing a uni-directional causal flow from GDP to FDI, and not vice versa. This means that the FDI-led growth hypothesis does not apply to SADC countries. The results imply that the recent high economic growth rates recorded in the SADC region have been attracting FDI. In other words, it is economic growth that drives FDI inflows into the SADC region, and not vice versa.

On the contrary, Nubong and Ntuli (2024) revealed that foreign direct investment (FDI) in Southern Africa has been one of the drivers of infrastructure development and economic growth especially in sectors such as mining, agriculture, energy, information, and communications technology (ICT). This view was supported by Makalima et al. (2024) that carried out a study on the determinants of foreign direct investment in SADC region. They stated that “foreign direct investment (FDI) plays a pivotal role in shaping the economic landscape of regions across the globe and in the SADC region, FDI serves as a critical driver of economic growth, development, and integration into the global economy”.

Away from the SADC region and in a study by Kendigelen (2024) on the impact of foreign direct investment (FDI) on economic growth in Sub-Saharan Africa, the study found a strong, statistically significant positive link between foreign direct investment (FDI) and economic growth in Sub-Saharan Africa, with infrastructure development playing a key role. The research suggests FDI drives economic growth by enhancing infrastructure, highlighting the need for substantial infrastructure investments to maximize FDI benefits and foster long-term development.

In addition, Shittu et al. (2020) investigate the impacts of foreign direct investment and globalisation on economic growth in West Africa. The results found that FDI boosts economic growth in West Africa, with good political governance amplifying this positive impact. This aligns with Yusuf et al.'s (2020) findings that FDI has a significant long-term positive effect on economic growth in the region, with a 1% increase in FDI inflow leading to a 0.26% growth increase.

Given the above divergent perspectives on FDI's impact and its significance on economic growth, this study's examination of FDI's dynamic impact on economic growth in the SADC region is timely and essential.

**DATA SPECIFICATION AND METHODOLOGY**

In this study, we cover four countries (South Africa, Namibia, Lesotho and Eswatini) and are use as proxy and representative for the SADC region. These countries account for approximately 51% of the SADC region's GDP (SADC Stat. Report, 2023), hence, are capable and suitable to adequately proxy the region. The choice of these countries is because they are already part of the Common Monetary Area (CMA) which shares the same monetary policy framework, pegs their currencies to the South African Rand, adopts free movement of capital, promotes trade and investment within the region, and adopts the same exchange rate stability framework through rand pegging.

For the data analysis, we adopt a similar approach to Prasad and Espinoza (2012), Ciccarelli et al. (2013), and Davoodi et al. (2013), who conducted panel analyses on GCC countries, the euro area, and East Africa, respectively. They employed a panel analysis or methodology that involve pooling cross-sectional data together. We adopt this approach owing to the distinctive characteristics of the four SADC countries' economies, such as: (i) the countries are adopting inflation targeting and floating exchange rates, marking a shift in their monetary policy regimes (Olamide et al., 2022), (ii) the countries are part of the Common Monetary Area (CMA) which pegs their currencies to the South African Rand (Seoela, 2022), and (iii) the countries are similarly exposed to the same external shocks, largely due to the US dollar's significant influence on their economies, as many of their trade transactions are US dollar-denominated (see Qabhobho et al., 2024).

**Methodology**

Following Chudik and Pesaran (2013), this study uses the Panel Autoregressive Distributed Lag (P-ARDL) model. We employ this methodology owing to its flexibility in handling mixed integration orders and capturing dynamic relationships as well as addressing the problem of multicollinearity. The model also accounts for cross-sectional dependence by incorporating cross-sectional averages of the dependent variable and regressors, addressing issues that may lead to misleading estimates if ignored (Mensah et al., 2021). In this study, the P-ARDL model is to help examine the dynamic impact of foreign direct investment on economic growth in SADC region. The model further examines the relationship between FDI and economic growth in the region. This study also conducts unit root testing using the Augmented Dickey-Fuller (ADF) and Levin, Lin, and Chu (LLC) tests to ensure robustness and consistency, following Demetriades et al. (2012) and Ishibashi (2012).

**The Model Specification for the Panel ARDL**

Using Ayenew's (2022) framework, this study investigates the FDI-economic growth relationship in SADC via a Panel ARDL model, specified as:

$$\Delta LNRGDP_{it} = \alpha_0 + \beta_1 LNRGDP_{it-1} + \beta_2 LNGDPK_{it-1} + \beta_3 FDI_{it-1} + \beta_4 HCI_{it-1} + \sum_{t=1}^p \alpha_1 \Delta LHCI_{it-i} + \sum_{i=1}^p \alpha_2 \Delta LGDPK_{it-i} + \sum_{i=0}^q \alpha_3 \Delta LRGDP_{it-i} + \sum_{i=2}^r \alpha_4 \Delta FDI_{it-i} + \varepsilon_t \dots \dots \dots 1$$

For the equation above, the coefficients  $(\beta_1 - \beta_4)$  measure short run relationships; while  $(\alpha_1 - \alpha_4)$  capture long run dynamics. In order to get the feedback effect or speed of adjustment of the model when disequilibrium in the short term occurred, the Error Correction Model is expressed as:

$$\Delta LRGDP_t = \zeta_0 + \sum_{i=1}^p \alpha_1 \Delta LRGDP_{t-i} + \sum_{i=0}^q \alpha_2 \Delta LGDPK_{t-i} + \sum_{i=2}^r \alpha_3 \Delta LHCI_{t-i} + \sum_{i=0}^q \alpha_4 \Delta FDI_{t-i} + \eta ECT_{t-i} + \mu_t \dots \dots \dots (2)$$

**Data Specification and Sources**

The annual data for this study are sourced from the World Development Indicators (WDI), UN Data Portal and the Statistics office, spanning 1970-2023 across the four SADC countries (South Africa, Namibia, Lesotho and Eswatini). These countries are the Common Monetary Area (CMA) which links their currencies to the South African Rand. The 1970-2023 period was selected based on data availability and its coverage of significant economic events, including reforms and global downturns. The variables included in the model are Foreign Direct Investment (FDI), GDP per capital (GDPK), Real Gross Domestic Product (RGDP) and Human Capital Index (HCI). All these variables are rooted from the theoretical review underpinning the relationship between FDI and economic growth.

## RESULT AND DISCUSSION

This section presents and discusses the panel ARDL model results derived from the data analysis. The details are given below:

### Unit Root Test Result

As revealed by Chudik and Pesaran (2013), the condition for using P-ARDL model is that the variables can be a mix of stationary ( $I(0)$ ) and non-stationary ( $I(1)$ ), but none should be integrated of order 2 ( $I(2)$ ) or higher. As shown below, Table 1 presents unit root test results (ADF and LLC), showing none of the variables are integrated of order 2 ( $I(2)$ ).

**Table 1:** Unit Root Test Result

Variables	Augmented Dickey-Fuller (ADF)			Levin, Lin and Chu (LLC)		
	Order of integration	t* Statistics	P-Value	Order of integration	t* Statistics	P-Value
RGDP	I(1)	5.3909	0.0000***	I(1)	4.9632	0.0000***
GDPK	I(1)	-3.6107	0.0014***	I(1)	-2.2391	0.0141**
FDI	I(1)	3.2617	0.0000***	I(1)	3.6025	0.0000***
HCI	I(0)	-2.5031	0.0000***	I(0)	-1.4491	0.0000***

\*\*\*, \*\* and \* represent statistical significance at 1%, 5%, and 10% respectively.

Specifically, RGDP, GDPK, and FDI are stationary at first difference ( $I(1)$ ), while HCI is stationary at level ( $I(0)$ ). As a result, the condition for using P-ARDL model is satisfied, in line with the Chudik and Pesaran (2013) P-ARDL model condition for testing and running a panel ARDL model.

### The Panel ARDL Result

Table 2 shows both the long run and short run Panel ARDL dynamic estimation results. In the short run, only lagged Real GDP Output (RGDP (-1)) and human capital show a statistically significant impact on economic growth in the SADC region, while other variables do not. Specifically, lagged Real GDP Output (RGDP(-1)) has a coefficient of 0.010691, suggesting a strong positive relationship between past and current real GDP output. This indicates a persistent growth pattern, where a unit increase in previous GDP leads to a corresponding increase in current GDP. Our finding is consistent with Leimbach (2017), which showed that GDP projections reflect historical growth patterns where past GDP contributes to current GDP. This finding is important because understanding historical GDP growth trends helps investors plan strategically and manage future risks. In addition, understanding historical GDP trends can also help policymakers in SADC region make more accurate economic forecasts and informed decisions.

Similarly, human capital has a statistically significant impact on economic growth in both the current and previous years. Surprisingly, human capital had a negative impact on economic growth in the short run, underscoring its significant influence. This result might not be unconnected to poor human capital development in the region which can be attributed to various factors, including limited access to quality education, inadequate skills training and vocational programs, brain drain and talent migration and socio-economic inequalities among others. Our finding aligns with Bekele et al. (2024), which showed that human capital negatively impacts economic growth. As a policy recommendation, policymakers in SADC region should prioritize quality education and overhaul human capital development frameworks to drive economic growth. Additionally, policymakers can identify weaknesses and develop targeted interventions to enhance human capital. This strategy requires shifting focus from access to education to ensuring quality education and revamping the human capital development framework.

GDP per capita and foreign direct investment have insignificant short-term effects on economic growth in the SADC region, both currently and in the previous year, casting doubt on their effectiveness as growth drivers. The lack of significant impact of GDP per capita on economic growth may be linked to the region's high poverty and unemployment rates. Our finding aligns with Gil-Alana et al. (2021), which showed that absolute poverty in African countries (including the SADC region) has risen by over 100 million people, resulting in low per capita income. As a result, policymakers in SADC region urgently need to develop a framework that boosts human capital investment, promotes entrepreneurship, innovation, and investment, and creates a business-friendly environment to drive economic growth.

On foreign direct investment that also indicated an insignificant impact on economic growth in the previous and current year, this might be due to sluggish economic growth that limits potential returns on investment, discouraging FDI in the region. In addition, the weak institutions, corruption, and lack of political stability might be making the region less attractive to foreign investors. To attract more FDI and promote economic growth, policymakers in the SADC region should focus on strengthening institutions, promoting political stability,

encouraging infrastructural development and combating corruption. This suggestion is in line with Adegboye et al. (2020) and Joshua et al. (2021) that revealed that FDI is crucial in stimulating economic growth.

**Table 2:** Panel ARDL Short Run Dynamic Estimation Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
<b>Long Run Equation</b>				
GDPK	58.22776	15.20691	3.829034	0.0002*
HCI	-0.157625	0.057158	-2.757717	0.0063*
FDI	0.652311	0.104095	6.266483	0.0000*
<b>Short Run Equation</b>				
COINTEQ01	0.066340	0.009558	6.940741	0.0000
GDP(-1)	0.010691	0.004820	2.217748	0.0277*
GDPK	-0.037326	0.060172	-0.620324	0.5357
GDPK(-1)	-0.006333	0.004818	-1.314388	0.1902
HCI	0.304606	0.066296	4.594605	0.0000*
HCI(-1)	0.223856	0.056849	3.937696	0.0001*
FDI	0.176775	0.193516	0.913490	0.3877
FDI(-1)	0.003052	0.004845	-0.629936	0.5294
C	0.040909	0.004042	10.12149	0.0000

“\*\*\*”, “\*\*” and “\*” represent statistical significance at 1%, 5%, and 10% respectively.

Looking beyond the short-run results, our long-run estimates reveal that GDP per capita, human capital, and FDI are key drivers of economic growth in the SADC region, exhibiting strong and significant effects. Our results show that both GDP per capita and FDI have a strong and positive long-term impact on economic growth while human capital exerts a negative impact. This means that increasing GDP per capita and FDI would likely lead to corresponding growth in the SADC region's economy. Our finding conforms to Rajab and Zouheir (2024) that found a positive and significant effect of foreign direct investment on economic growth as well as Khembo and Tchereni (2013) that revealed a statistically significant and positive effect of GDP per capita on economic growth in SADC region. As a policy recommendation especially in optimizing economic growth, policymakers in SADC region need to develop policies that enhance absorption capacities, attract FDI, and increase per capita income.

Conversely, human capital negatively impacts economic growth, aligning with short-term results and studies by Nhabinde and Heshmati (2020) and Ibhagui (2020), which found similar negative relationships in SADC and Sub-Saharan Africa regions. This finding may be due to the region's challenges in absorbing and utilizing human capital, thereby, impeding economic growth. As a policy recommendation particularly on the need to drive economic growth, policymakers in the SADC region must focus on developing human capital and improving governance through stronger institutions, reduced corruption, and enhanced transparency.

Table 3 on the other hand presents the result of the diagnostics tests conducted on the Panel ARDL model. It contains normality, heteroscedasticity and serial correlation tests that were conducted in order to ensure the model's assumptions are met particularly on the need to identify potential issues like omitted variables, incorrect functional form, or misspecification, autocorrelation, or heteroscedasticity, which can affect model reliability, fitness, accuracy, and robustness as well the need to increase the model's validity and reliability (see Kumar, 2023). Based on the findings, the diagnostic tests show no evidence of heteroscedasticity or serial correlation, with residuals following a normal distribution. This finding conforms to Musora (2023) that carried out a study titled “Application of Panel Data Analysis and Modelling to Economic Data: A Case of Determinants of Economic Growth for SADC and Zimbabwe”. Therefore, this confirms that our model provides a valid, consistent and reliable analysis of FDI's impact on SADC's economic growth.

**Table 3:** Results for diagnostics tests

Test	t-Statistic	Prob.*	Decision
Normality	1.4100	0.4411	Residuals are normal (normally distributed)
Serial correlation	1.6177	0.1618	No serial correlation
Heteroscedasticity	1.0016	0.1679	No case of heteroskedasticity
Ramsey reset	0.5403	0.5011	Model is well specified

“\*\*\*”, “\*\*” and “\*” represent statistical significance at 1%, 5%, and 10% respectively.

Finally, figure 1 presents the CUSUM test result employed to confirm the stability of the Panel ARDL model. At 5% significance level, the result confirms that the model is stable. As shown in the figure, the estimated parameters (blue line) fall within the 5% critical bounds (red lines), confirming model stability of the Panel ARDL model. As a result, it can be reliably concluded that the model exhibits stable parameters and consistent

relationships between variables. This finding is in line with Kumar (2023). Additionally, the results suggest stability without structural breaks impacting its stability and accuracy. Overall, this model demonstrates strong forecasting ability, making it useful for determining the impact of foreign direct investment on economic growth in SADC region.

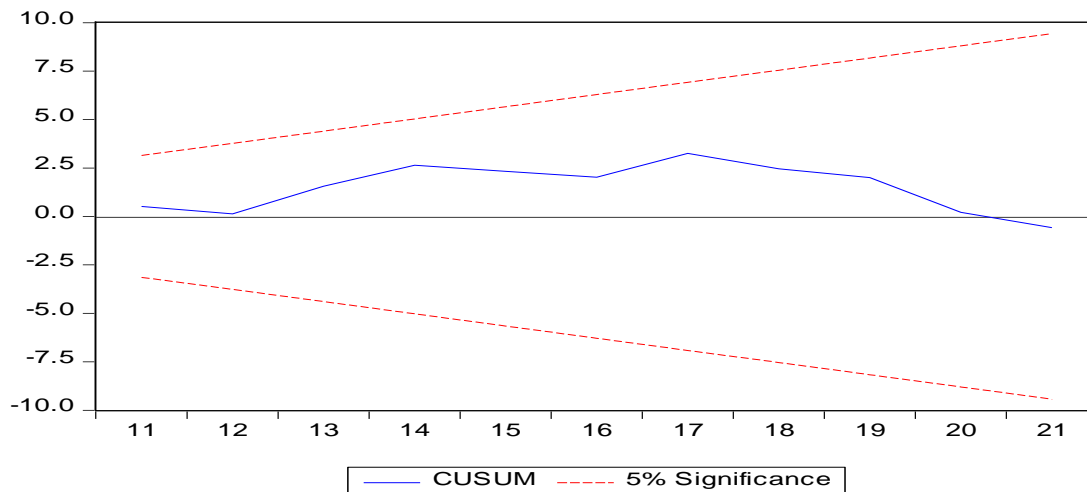


Figure 1: Stability Test

### Study's Limitations and Areas for Further Research

The empirical results of the impact of FDI on economic growth in developing countries, including SADC region is mixed due to the uncertainty in the economy. As a result, this calls for continuous debate and further research. One of the limitations of this study is its inability to cover all the SADC countries due to data scarcity as well as the inability to incorporate more variables that may be important in the Panel ARDL model due to the fear of running out of degree of freedom. As a way of addressing this issue, future researchers can focus on conducting a new study to cover all the SADC countries and employ a cross-section augmented distributed lag (CS-DL) approach developed by Chudik *et al.* (2015) or other methodologies to capture more variables without the risk of running out of degree of freedom.

### SUMMARY, CONCLUSION AND POLICY RECOMMENDATION

This study seeks to examine the dynamic impact of foreign direct investment (FDI) on economic growth in SADC region from 1970 to 2023. Based on the result derived from the Panel ARDL model, GDP per capita, human capital and FDI are key drivers of economic growth in the SADC region, exhibiting strong and significant long term effects. This finding aligns with our expectations and supports the human capital growth theory as well as trade-led growth hypothesis and FDI-led growth nexus, suggesting that FDI, GDP per capita and human capital can contribute to economic growth in SADC region. The positive impact of FDI on economic growth conforms to Sakyi *et al.* (2015) that revealed that increased trade openness and export-oriented policies can boost economic growth through foreign exchange earnings, productivity gains, FDI attraction, and improved efficiency. As a policy recommendation especially on the need to leverage FDI's long-term benefits, SADC policymakers should focus on creating policies that foster job creation, strong institutions, and infrastructure development in order to attract FDI into the region and drive sustainable economic growth.

In addition, while GDP per capita positively impacts economic growth in the region, human capital development has a negative effect. This means that an increase in per capita income will spur economic growth, consistent with previous findings like Albiman and Sulong (2016), but human capital growth has a declining impact, similar to Djamaal *et al.* (2023) that revealed that there is a positive effect of human capital on GDP in the short run, and an adverse effect of human capital on GDP in the long run. This highlights the need for SADC policymakers to focus on human capital development through targeted initiatives for economic growth. As a policy recommendation, it is important for policymakers in SADC region to overhaul their human capital development approach, adopts adequate skills training and vocational programs, and ensuring quality education that can drive sustainable economic growth.

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