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MEASURING AND ANALYZING THE ROLE OF FOREIGN DIRECT INVESTMENT POLICIES IN DIVERSIFYING EMPLOYMENT IN THE OMANI ECONOMY FOR THE PERIOD 2002-2022

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Abstract:

This study looks at how employment in the Omani economy was diversified by foreign direct investment (FDI) between 2002 and 2022. Numerous economies, both established and developing, have implemented certain economic strategies meant to expand work prospects and diversify employment sources. Attracting foreign direct investment (FDI) is one such policy that helps target particular economic activities that are essential to job development and employment diversification. By using ARDL model, the study uses sophisticated econometric analysis to quantify the effect of FDI (across several economic sectors) on employment. Several important insights are revealed by the research. Short-term employment benefits from foreign direct investment (FDI) in the trade, hotel, and restaurant industries are statistically significant. FDI benefits the trade sector over the long run, but it may not have a statistically significant effect on employment in other economic sectors.

Keywords: Foreign Direct Investment, Economic Diversification, Employment, Employment Diversification, Economic Activities.

INTRODUTION

When an investor from one nation purchases an asset in another and takes part in its management, this is known as foreign direct investment, or FDI. FDI is classified based on specific criteria. In terms of establishment, it is divided into **Greenfield FDI** (new investments) and **Non-Greenfield FDI** (mergers and acquisitions). Based on ownership, FDI can be either **joint ventures** or **wholly owned investments**.

FDI brings numerous benefits to host countries, including enhancing capital accumulation, facilitating technology and knowledge transfer, improving skill levels, and diversifying employment sources in the domestic economy.

FDI inflows have contributed significantly to the expansion of several economies. (Al Mazroui et al., 2024, p. 69). Investment spending is a key contributor to any country's production capacity, which directly affects output growth and employment rates (Craigwell, 2006, p. 2). FDI helps boost productivity, increase national income, improve per capita income, and enhance living standards and quality of life. Additionally, it creates job opportunities, improves human capital quality, and enables access to advanced technologies. Many international corporations seek efficiency and cost reduction as primary objectives (Al-Khamisi & Albasoos, 2021, p. 7).

Diversification, as a business strategy, involves expanding into different sectors and markets. Economic diversification fosters job creation and can contribute to human development.

Many resource-dependent economies, particularly oil-dependent ones, face unemployment challenges due to overreliance on a single sector while neglecting others. Consequently, some economies have adopted FDI-oriented policies that focus on specific economic sectors capable of absorbing labour. This strategy supports employment diversification, ultimately increasing job opportunities.

Historical financial crises have demonstrated that diversification is a preferred strategy to mitigate potential risks or losses (Al Shubiri, 2016, p. 8). Increased FDI inflows directly contribute to employment growth and diversification by attracting surplus labour from other sectors. Growth in export-oriented manufacturing industries, supported by FDI, generates demand for surplus labour and enhances production capacity (The World Bank Group, 2020, p. 4).

To attract FDI, Oman has implemented several restructuring initiatives, particularly within its financial and economic policies, as part of **"Oman Vision 2020."** This strategy emphasised economic diversification, regional human

World Economics & Finance Bulletin (WEFB)
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Vol. 44, March, 2025
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resource development, the dominance of private-sector-led economic activities, and ways to enhance FDI (Husain et al., 2021, p. 2).

1. REVIEW OF LITERATURE

1.1 Foreign Direct Investment Theoretical Framework

1.1.1 The Foreign Direct Investment Concept

The World Trade Organization (WTO) defines foreign direct investment (FDI) as when an investor who resides in one country (the home country) buys an asset in another (the host country) with the intention of controlling that asset. It is widely accepted that owning at least 10% of an organization's voting or common stock indicates significant investor power and is regarded as a kind of foreign direct investment (FDI). However, this threshold varies from country to country and may be affected by national regulations, some of which restrict foreign ownership in domestic companies. (Page 161, Makoni, 2015).

FDI is also defined as an investment aimed at generating sustainable profits, with at least a 10% shareholding in a company operating within a particular country, irrespective of the nationality of the investors from the host country (Husain et al., 2021, p. 2).

1.1.2 Foreign Direct Investment Types

FDI is classified into two main types:

1. **Greenfield FDI**, which involves foreign enterprises investing in the construction of new production facilities in other countries.
2. **Non-Greenfield FDI**, which refers to foreign investment through acquisitions or purchasing stakes in local companies (Rismawana et al., 2021, p. 53).

Additionally, FDI can be categorised based on ownership structure:

- **Joint Ventures:** These involve partnerships between foreign and local investors who collaborate towards shared objectives and mutual benefits. This type of investment enables investors to jointly manage, lead, bear risks, and share the returns generated from the invested capital, regardless of the form of capital.
- **Wholly Owned Enterprises:** These involve a foreign company establishing a fully owned subsidiary in the host country or the home country (Kukaj & Ahmeti, 2016, pp. 293–294).

1.1.3 Foreign Direct Investment's Significance

Foreign direct investment has a big impact on host economies' growth. According to Exogenous Growth Theory, it theoretically boosts economic growth by transferring foreign technology, introducing new commodities, and enhancing capital accumulation. Furthermore, FDI contributes significantly to economic growth in accordance with Endogenous Growth Theory and enhances the host nation's knowledge base through talent transfers. (Mahembe & Odhiambo, 2014, p. 63).

By improving the host nation's technological capabilities and knowledge base, foreign direct investment (FDI) indirectly boosts economic growth (Rismawana et al., 2021, p. 50). Through integration into international production and innovation networks, direct capital formation, and favorable spillover effects, it promotes economic growth (Alharthi & Alamoudi, 2024, p. 4).

Because it can create technological spillovers, support capital formation, improve trade integration, boost business competitiveness, and encourage entrepreneurial development, the Organization for Economic Co-operation and Development (OECD) highlights foreign direct investment (FDI) as a potential driver of sustainable growth and development (Mahembe & Odhiambo, 2014, p. 63).

Many scholars contend that the positive effects of foreign direct investment (FDI) rely on the host country's capacity to assimilate new knowledge and improve the quality of its human capital, even though FDI benefits local industries through a variety of channels, including the introduction of new production processes, the improvement of managerial capabilities, and the transfer of technology (Rismawana et al., 2021, p. 51).

1.1.4 Foreign Direct Investment Determinants

At the macro level, a host nation's capacity to draw foreign direct investment (FDI) is impacted by a number of factors, including market size, GDP, economic growth rate, infrastructure, natural resources, government policy, institutional factors like political stability, and the availability of skilled and inexpensive labor.

Ownership advantages, location benefits, and internalization advantages are FDI factors at the micro level. Intangible and physical assets like technology, patents, brand names, and private information are examples of ownership advantages that are unique to a company and lower production costs while allowing the company to compete with international businesses. Furthermore, internalizing a company's ownership advantages must be more profitable than selling or leasing them to foreign businesses through management or licensing agreements (Makoni, 2015, p. 162).

World Economics & Finance Bulletin (WEFB)
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Vol. 44, March, 2025
ISSN: 2749-3628,

1.2 The Economic Diversification Theoretical Framework

1.2.1 The Economic Diversification Concept

A technique known as economic diversification involves an organization manufacturing or selling a variety of goods and/or services in order to extend its operations into new markets or sectors (Maria, 2022, p. 39).

Economic diversity may be measured using three primary methods:

1. Diversity-based diversification, which adheres to the strict definition of diversification and quantifies the variety of economic activities, independent of their quality.

2. Quality-based diversification, which is associated with structural change and involves moving production to endeavors that provide greater competitive advantages and/or added value.

3. Output-based diversification, which evaluates shifts in economic activity that isn't dependent on resources, independent of their makeup.

Diversity- and quality-based diversification metrics hold significant theoretical appeal (Lashitew, 2020, p. 8).

1.2.2 The Importance of Economic Diversification

The rationale for adopting diversification strategies stems from the need to generate income from multiple sources. Many economies reliant on **natural resource exports** are susceptible to fluctuations in international market policies, regulations, and price volatility, which can lead to severe economic crises when sudden price drops occur. Developing nations, in particular, face prolonged economic instability due to their dependence on a single revenue source (Maria, 2022, p. 39).

A **low level of economic diversification** is detrimental, as over-reliance on natural resources makes resource-rich countries vulnerable to **commodity price volatility** and **resource depletion** (Lashitew, 2020, p. 2). Diversification reduces economic exposure to external shocks and mitigates financial crises (Hartmann & Pyka, 2013, p. 12).

1.3 Theoretical Support for Foreign Direct Investment's Contribution to Employment Diversification

Expanding the range of goods and services produced within an economy is known as economic diversification, and it gives people more alternatives for their consumption and employment choices. This promotes human growth by translating into more job options, improved competencies, and greater adaptability to individual requirements (Hartmann & Pyka, 2013, p. 11). FDI may be given priority in nations with high unemployment rates in order to create jobs (Makoni, 2015, p. 162).

FDI inflows have a number of beneficial effects on host economies. Global capital mobility aids governments in improving their policy-making procedures, while foreign capital flows diversify investments and lower capital ownership risks (Rismawana et al., 2021, p. 53).

Earlier literature examining FDI's impact on **urbanisation** generally follows the premise that economic expansion in the **manufacturing sector** attracts FDI, leading to **job creation, wage growth, and increased rural-to-urban migration**. This has been the case in many developing economies that have relied on **international capital flows** to drive industrialisation, economic growth, and employment opportunities through **technological adoption** (Sinha & Tirtosuharto, 2023, p. 345).

The growth of subsidiaries of multinational corporations can stimulate **labour demand in host economies**. However, this may also introduce **competitive pressures, wage inequalities, and productivity shifts in local firms**. Consequently, the overall effect of FDI on employment in developing nations depends on **the balance of these factors** (The World Bank Group, 2020, p. 5).

2. METHODOLOGY

- The relevance of this study stems from the role that foreign direct investment (FDI) plays in the local economy of Oman, namely in terms of job generation and employment diversity. The study uses information from the Ministry of National Economy's Foreign Investment Statistics Bulletin, the National Centre for Statistics and Information (NCSI), and Oman's Annual Statistical Yearbook to accomplish this goal.
- The following is a summary of the research problem:
- **Has FDI, across different economic activities, contributed to employment diversification and job creation in Oman?**

The study is predicated on the idea that foreign direct investment (FDI) directed towards certain economic sectors may expand job prospects and diversify employment sources.

In order to evaluate this, the study uses an inductive analytical technique, looking at past employment and foreign direct investment data to analyze economic phenomena and determine their effects. Relationships between the economic variables are measured using the Autoregressive Distributed Lag (ARDL) Model, as seen below:

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Vol. 44, March, 2025
ISSN: 2749-3628,

$$EM = c + \lambda \mathrm{EM}_{t-1} + \beta_1 FM_{t-1} + \beta_2 \mathrm{FC}_{t-1} + \beta_3 \mathrm{FH}_{t-1} + \beta_4 FCO_{t-1} + \sum_{i=1}^{n} a_1 \mathrm{EM}_{t-i} + \sum_{i=0}^{m} a_2 \mathrm{FM}_{t-i} + \sum_{i=0}^{m} a_3 \mathrm{FC}_{t-i} + \sum_{i=0}^{m} a_4 \mathrm{FH}_{t-i} + \sum_{i=0}^{m} a_5 \mathrm{FCO}_{t-i} + \mu_t$$

2. RESULTS

2.1 Data Analysis

The development of **Foreign Direct Investment (FDI) and employment trends across different economic sectors in Oman** during the study period can be analysed using **Tables 1, 2, 3, and 4**, as follows:

2.1.1 Manufacturing Industry

Table 1 indicates that **FDI in the manufacturing sector** experienced a **growth rate of 28.8% in 2003**. However, as shown in Table 3, **employment in the same sector declined by 28.3%**. This suggests that FDI in manufacturing did not contribute to increased employment within the sector and, consequently, did not enhance employment diversification. A potential explanation for this trend is that FDI in this sector was **capital-intensive**, relying on advanced technologies rather than labour-intensive production methods.

In **2005**, the sector recorded the **highest FDI growth rate at 95.7%**, yet employment declined by **3.2%**. Similarly, in **2007**, FDI grew by **64.5%**, while employment in the sector increased by **18.1%**. Although FDI in manufacturing **declined by 15.1% in 2013**, employment still grew by **10.1%**. In **2022**, FDI increased by **9.8%**, and employment rose by **9.4%**.

Table 2 shows that the **highest contribution of FDI to the manufacturing sector** was recorded in **2002 at 20%**, followed by a **gradual decline** to its lowest level of **9.10% in 2022**. Similarly, Table 4 indicates that **employment in manufacturing** was **highest in 2002 (12.90%)** and **lowest in 2008 (10.65%)**.

2.1.2 Financial Intermediation

According to Table 1, the **highest FDI growth rate in financial intermediation** was recorded in **2005 at 97.3%**, while **employment in the same sector grew by 5.9%** in that year (Table 3). In **2007, FDI in financial intermediation increased by 80.9%**, and employment in the sector grew by **15.5%**.

FDI in **financial intermediation continued to grow throughout most of the study period**, albeit at varying rates. In **2022**, FDI increased by **10.7%**, whereas employment in the sector declined by **2.6%**. Despite the continuous increase in FDI in the financial sector over most years of the study, **the corresponding growth in employment did not reach the expected level**. Consequently, the sector did not contribute significantly to employment diversification and job creation.

Table 2 reveals that the **highest share of FDI in financial intermediation** was recorded in **2015 at 19.98%**, while the **lowest contribution was in 2022 at 8.86%**. Meanwhile, Table 4 shows that **the highest percentage of employment in the financial sector** was in **2020 (1.28%)**, while the **lowest was in 2015 (0.24%)**.

World Economics & Finance Bulletin (WEFB)
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Vol. 44, March, 2025
ISSN: 2749-3628,

Table (1), the development of foreign direct investment according to activities in the Omani economy at current prices for the period 2002-2022 (million Omani riyals)

Years	Manufacturing industry	Growth rate%	Financial mediation	Growth rate%	Real estate, rental and commercial project activities	Growth rate%	Electricity and water	Growth rate%	Transport - Storage & Communications	Growth rate%	commerce	Growth rate%	Hotels and restaurants	Growth rate%	Construction	Growth rate%	Other	Growth rate%	the total	Growth rate%
2002	144.1		115.1		14.8		0		0		40.9		0		47.2		358.4		720.5	
2003	185.6	28.8	122.2	6.2	17.1	15.5	0	0.0	0	0.0	41.5	1.5	0	0.0	78.3	65.9	484.7	35.2	929.4	29.0
2004	144.6	-22.1	144.8	18.5	25.8	50.9	0	0.0	0	0.0	40.9	-1.4	0	0.0	94.8	21.1	494.9	2.1	945.8	1.8
2005	283	95.7	285.7	97.3	68.2	164.3	58.3	0.0	19.6	0.0	93	127.4	14.3	0.0	75.9	-19.9	690.9	39.6	1,588.90	68.0
2006	382.8	35.3	354.1	23.9	189.1	177.3	57.4	-1.5	34.7	77.0	126.9	36.5	18.1	26.6	159.5	110.1	876.8	26.9	2,199.40	38.4
2007	629.6	64.5	640.6	80.9	311.3	64.6	51.7	-9.9	62.5	80.1	139.3	9.8	50.7	180.1	170.4	6.8	1462.7	66.8	3,518.80	60.0
2008	765.5	21.6	654.8	2.2	174.7	-43.9	87.5	69.2	376	501.6	160.9	15.5	66.8	31.8	66	-61.3	2138.8	46.2	4,491.00	27.6
2009	806.2	5.3	707.3	8.0	305.7	75.0	62.9	-28.1	123.3	-67.2	154.4	-4.0	65.4	-2.1	137.4	108.2	2690.5	25.8	5,053.10	12.5
2010	958.4	18.9	806.1	14.0	312.9	2.4	68.3	8.6	167.5	35.8	171.8	11.3	72.9	11.5	167.9	22.2	2779.9	3.3	5,505.70	9.0
2011	1,257.50	31.2	825.4	2.4	403.6	29.0	69.9	2.3	181.1	8.1	202.1	17.6	89.2	22.4	221.1	31.7	2836.2	2.0	6,086.10	10.5
2012	1,185.90	-5.7	960.00	16.3	413.7	2.5	74	5.9	172.1	-5.0	230.1	13.9	91.4	2.5	204.7	-7.4	3063.9	8.0	6,395.80	5.1
2013	1,006.40	-15.1	1,057.60	10.2	458.5	10.8	73.5	-0.7	182.8	6.2	242.1	5.2	85.2	-6.8	194.7	-4.9	3625.4	18.3	6,926.20	8.3
2014	924.1	-8.2	1,103.50	4.3	507.9	10.8	76.4	3.9	258	41.1	203.1	-16.1	188.5	121.2	165.6	-14.9	4129.6	13.9	7,556.70	9.1
2015	1,039.30	12.5	1,376.50	24.7	536	5.5	75.7	-0.9	261.5	1.4	256.9	26.5	146.7	-22.2	161.1	-2.7	3035.7	-26.5	6,889.40	-8.8
2016	1,050.30	1.1	1,436.80	4.4	618.8	15.4	82.6	9.1	279.3	6.8	267.3	4.0	157.5	7.4	140.6	-12.7	4045.9	33.3	8,079.10	17.3
2017	1,134.10	8.0	1,474.80	2.6	638.9	3.2	82.9	0.4	270.8	-3.0	279.4	4.5	152.6	-3.1	164.2	16.8	6464.5	59.8	10,662.20	32.0
2018	1,149.40	1.3	1,451.90	-1.6	621.3	-2.8	61	-26.4	297.8	10.0	254.1	-9.1	128	-16.1	125.7	-23.4	8605	33.1	12,694.20	19.1
2019	1,387.10	20.7	1,450.50	-0.1	647	4.1	65.9	8.0	306.5	2.9	213.7	-15.9	124.2	-3.0	145.6	15.8	9072	5.4	13,412.50	5.7
2020	1,693.20	22.1	1,577.90	8.8	645.1	-0.3	439.7	567.2	313.2	2.2	207.6	-2.9	122.8	-1.1	121.1	-16.8	9140.5	0.8	14,261.10	6.3
2021	1,705.40	0.7	1,648.30	4.5	990.6	53.6	415.8	-5.4	310.1	-1.0	209	0.7	117.7	-4.2	111.8	-7.7	12253.9	34.1	17,762.60	24.6
2022	1,873.20	9.8	1,824.90	10.7	1,005.50	1.5	410.1	-1.4	326.2	5.2	229.3	9.7	113.2	-3.8	95.5	-14.6	14714.7	20.1	20,592.60	15.9

The table was prepared by the researchers based on: - National Center for Statistics and Information. Foreign Investment, Sultanate of Oman, issues for different years. Ministry of National Economy. Foreign Investment Statistics Bulletin, Directorate General of Economic Statistics, Sultanate of Oman, issues for different years.

The simple growth rate was calculated according to the following formula: -

$$r=(〖P_t-P〗_{(t-1)}/P_{(t-1)})*100$$

2.1.3 Real Estate, Rental, and Business Activities

Table 1 indicates that **FDI in the real estate, rental, and business activities sector** recorded its **highest growth rate in 2006 at 177.3%**, while **employment in the same sector grew by 27.8%** in that year (Table 3). However, in **2008, FDI in this sector declined by 43.9%**, whereas **employment increased significantly by 85.9%**.

Throughout the study period, **FDI in this sector fluctuated**, while **employment generally showed a positive trend**, except in **2020, when FDI declined by 0.3% and employment dropped by 10%**, primarily due to the impact of the COVID-19 pandemic.

Table 2 shows that **the lowest FDI contribution to this sector was recorded in 2003 at 1.84%**, while **the highest was in 2007 at 8.85%**. Meanwhile, Table 4 indicates that **employment in this sector was at its lowest in 2002 (0.90%) and at its highest in 2022 (8.20%)**, suggesting a gradual increase in the sector's role in **employment diversification**.

2.1.4 Electricity and Water

Table 1 reveals that **FDI in the electricity and water sector grew by 69.2% in 2008**, yet **employment in the sector declined by 1.6%** (Table 3). In **2009, FDI dropped by 28.1%, while employment in the same sector fell sharply by 62.9%**, reflecting the impact of the **global financial crisis**.

The **highest FDI growth rate in this sector was recorded in 2020 at 567.2%**, but **employment still declined by 2.3%** (Table 3). These trends indicate that **FDI in this sector has had little direct impact on employment growth**.

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Vol. 44, March, 2025
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Table 2 shows that **the highest FDI contribution to the electricity and water sector was in 2005 at 3.67%**, while **Table 4 indicates that employment in the sector peaked in 2020 at 0.62%**, reflecting a **declining role of this sector in employment diversification**.

2.1.5 Transport, Storage, and Communications

According to Table 1, **FDI in the transport, storage, and communications sector grew by 77% in 2006**, while **employment in the sector grew by 21.5%** (Table 3). The highest FDI growth rate was recorded in **2008 at 501.6%**, accompanied by **a 48.8% increase in employment**.

Even when **FDI declined by 67.2% in 2009**, **employment in the sector still grew by 37.2%**. Over the study period, **FDI in this sector fluctuated**, with **2022 showing a 5.2% increase in FDI and a 13.5% rise in employment**.

Table 2 highlights that **the highest FDI contribution to this sector was in 2008 at 8.37%**, while **Table 4 reveals a consistent increase in employment contribution**, reaching its peak in **2021 at 6.65%**. These findings suggest that this sector has **strong potential for job creation and employment diversification**.

2.1.6 Trade

Table 1 shows that **FDI in the trade sector recorded its highest growth rate in 2005 at 127.4%**, yet **employment in the sector declined by 11.4%** (Table 3). However, in **2008, FDI in trade grew by 15.5%, while employment rose by 19.3%**.

In **2014, FDI in trade declined by 16.1%**, while **employment in the sector saw only a marginal increase of 2.2%**. Similarly, **in 2020, FDI decreased by 2.9%, and employment dropped by 11.3%**. However, in **2022, FDI in trade increased by 9.7%, with employment rising significantly by 16.8%**.

These results suggest that **most years with FDI growth in trade also experienced employment growth**, reinforcing the idea that **FDI in this sector contributes to employment diversification**.

Table 2 shows that **the highest FDI contribution to the trade sector was in 2005 at 5.85%**, while **the lowest was in 2022 at 1.11%**. Meanwhile, **Table 4 indicates that trade accounted for the highest share of employment in 2002 (27.10%) and the lowest in 2012 (11.73%)**, demonstrating its **significant role in job creation**.

2.1.7 Hotels and Restaurants

As shown in Table 1, **FDI in the hotels and restaurants sector recorded a substantial growth of 180.1% in 2007**, with **employment in the sector rising by 20.5%** (Table 3).

Even though **FDI declined by 22.2% in 2015**, **employment in the sector still grew by 8.1%**, possibly due to **time lags in policy implementation and investment impact**.

Table 2 highlights that **the highest FDI contribution to this sector was in 2014 at 2.49%**, while **Table 4 shows that employment peaked in 2021 at 11.54%**, indicating the sector's **importance in job creation**.

2.1.8 Construction

Table 1 reveals that **FDI in the construction sector grew by 65.9% in 2003**, yet **employment declined by 20.2%** (Table 3). In **2008, FDI in construction dropped by 61.3%**, whereas **employment increased by 34.7%**.

In **2009, FDI in construction surged by 108.2%**, while **employment in the sector rose by 14.4%**. However, in **2022, FDI declined by 14.6%, yet employment still increased by 23.8%**.

This pattern suggests that **most years with FDI growth in construction coincided with employment declines**, likely due to the **capital-intensive nature of the sector, which limits its contribution to job creation**.

Table 2 shows that **the highest FDI contribution to construction was in 2004 at 10.02%, while the lowest was in 2022 at 0.46%**. Meanwhile, **Table 4 highlights that employment in construction peaked in 2012 at 44.30% and was lowest in 2021 at 23.97%**, confirming its **significant role in employment generation**.

World Economics & Finance Bulletin (WEFB)
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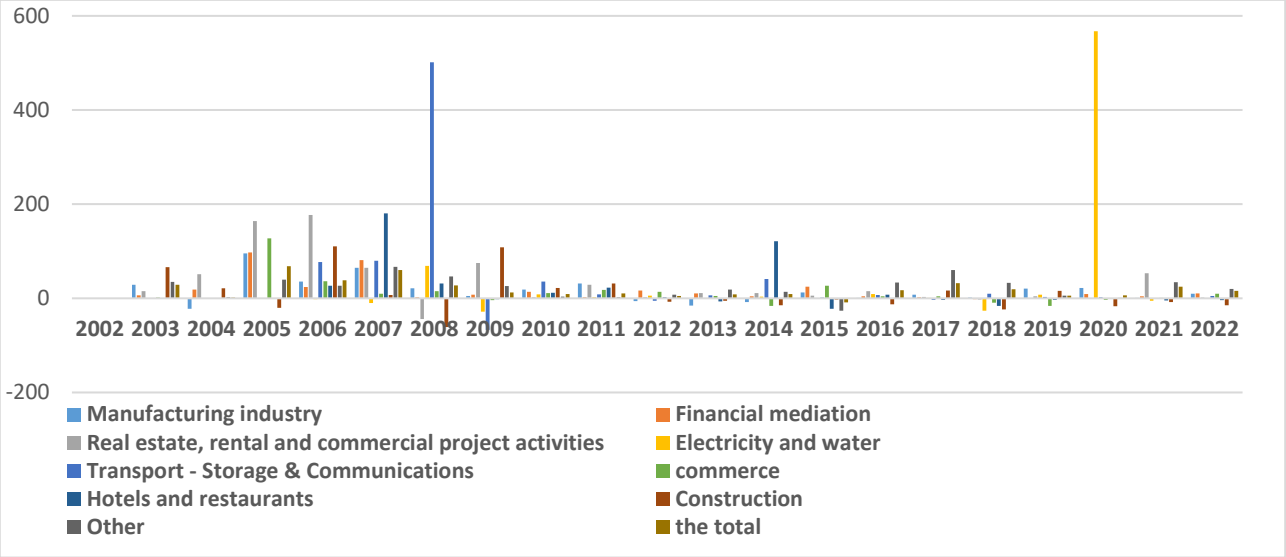

Here is the graphical representation of **FDI growth rates by sector in Oman's economy (2002-2022)**. The chart illustrates fluctuations in **Foreign Direct Investment (FDI) growth** across various economic sectors over the study period. The highest growth rates were recorded in the **Electricity & Water** and **Hotels & Restaurants** sectors, as indicated in the analysis. Let me know if you need any modifications or further insights!

Table (2), the relative importance of foreign direct investment according to activities in the Omani economy for the period 2002-2022 (%)

Years	Manufacturing industry	Financial mediation	Real estate, rental and commercial project activities	Electricity and water	Transport - Storage & Communications	commerce	Hotels and restaurants	Construction	Other	the total
2002	20.00	15.98	2.05	0.00	0.00	5.68	0.00	6.55	49.74	100.00
2003	19.97	13.15	1.84	0.00	0.00	4.47	0.00	8.42	52.15	100.00
2004	15.29	15.31	2.73	0.00	0.00	4.32	0.00	10.02	52.33	100.00
2005	17.81	17.98	4.29	3.67	1.23	5.85	0.90	4.78	43.48	100.00
2006	17.40	16.10	8.60	2.61	1.58	5.77	0.82	7.25	39.87	100.00
2007	17.89	18.21	8.85	1.47	1.78	3.96	1.44	4.84	41.57	100.00
2008	17.05	14.58	3.89	1.95	8.37	3.58	1.49	1.47	47.62	100.00
2009	15.95	14.00	6.05	1.24	2.44	3.06	1.29	2.72	53.24	100.00
2010	17.41	14.64	5.68	1.24	3.04	3.12	1.32	3.05	50.49	100.00
2011	20.66	13.56	6.63	1.15	2.98	3.32	1.47	3.63	46.60	100.00
2012	18.54	15.01	6.47	1.16	2.69	3.60	1.43	3.20	47.90	100.00
2013	14.53	15.27	6.62	1.06	2.64	3.50	1.23	2.81	52.34	100.00
2014	12.23	14.60	6.72	1.01	3.41	2.69	2.49	2.19	54.65	100.00
2015	15.09	19.98	7.78	1.10	3.80	3.73	2.13	2.34	44.06	100.00
2016	13.00	17.78	7.66	1.02	3.46	3.31	1.95	1.74	50.08	100.00
2017	10.64	13.83	5.99	0.78	2.54	2.62	1.43	1.54	60.63	100.00
2018	9.05	11.44	4.89	0.48	2.35	2.00	1.01	0.99	67.79	100.00
2019	10.34	10.81	4.82	0.49	2.29	1.59	0.93	1.09	67.64	100.00
2020	11.87	11.06	4.52	3.08	2.20	1.46	0.86	0.85	64.09	100.00
2021	9.60	9.28	5.58	2.34	1.75	1.18	0.66	0.63	68.99	100.00
2022	9.10	8.86	4.88	1.99	1.58	1.11	0.55	0.46	71.46	100.00

World Economics & Finance Bulletin (WEFB)
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Vol. 44, March, 2025
ISSN: 2749-3628,

Table (3), workers in the private, family, civil and other sectors according to economic activity in the Omani economy for the period 2002-2022 (number)

Years	Manufacturing industry	Growth rate%	Financial mediation	Growth rate%	Real estate, rental and commercial project activities	Growth rate%	Electricity and water	Growth rate%	Transport - Storage & Communications	Growth rate%	commerce	Growth rate%	Hotels and restaurants	Growth rate%	Construction	Growth rate%	Other	Growth rate%	the total	Growth rate%
2002	70627		1374		4909		1365		4660		148350		22710		134179		159303		547477	
2003	50632	-28.3	1231	-10.4	4027	-18.0	1420	4.0	4227	-9.3	101630	-31.5	20182	-11.1	107011	-20.2	116826	-26.7	407186	-25.6
2004	52085	2.9	1363	10.7	4314	7.1	1502	5.8	4613	9.1	97380	-4.2	22648	12.2	115552	8.0	124862	6.9	424319	4.2
2005	50442	-3.2	1443	5.9	4704	9.0	1780	18.5	4839	4.9	86257	-11.4	24916	10.0	119125	3.1	131282	5.1	424788	0.1
2006	58238	15.5	1630	13.0	6014	27.8	2109	18.5	5877	21.5	92474	7.2	31666	27.1	156266	31.2	156439	19.2	510713	20.2
2007	68,753	18.1	1,883	15.5	11,274	87.5	2094	-0.7	8276	40.8	103,316	11.7	38,143	20.5	221,432	41.7	183276	17.2	638,447	25.0
2008	84,657	23.1	2,484	31.9	20,962	85.9	2061	-1.6	12314	48.8	123,207	19.3	45,099	18.2	298,373	34.7	205778	12.3	794,935	24.5
2009	94,143	11.2	3,112	25.3	33,479	59.7	765	-62.9	16900	37.2	124,268	0.9	51,052	13.2	341,357	14.4	209169	1.6	874,245	10.0
2010	104,678	11.2	3,204	3.0	36,508	9.0	686	-10.3	18453	9.2	126,074	1.5	53,673	5.1	405,304	18.7	207050	-1.0	955,630	9.3
2011	129,659	23.9	3,274	2.2	42,906	17.5	639	-6.9	20870	13.1	133,715	6.1	63,192	17.7	483,319	19.2	237016	14.5	1,114,590	16.6
2012	156,806	20.9	3,446	5.3	50,863	18.5	720	12.7	25859	23.9	154,400	15.5	74,206	17.4	583,100	20.6	266782	12.6	1,316,182	18.1
2013	172,573	10.1	3,703	7.5	70,671	38.9	879	22.1	39471	52.6	184,885	19.7	90,185	21.5	595,563	2.1	313206	17.4	1,471,136	11.8
2014	176,309	2.2	3,805	2.8	72,337	2.4	898	2.2	40409	2.4	189,031	2.2	92,228	2.3	608,377	2.2	326999	4.4	1,510,393	2.7
2015	189,477	7.5	3,983	4.7	80,374	11.1	1007	12.1	52680	30.4	209,888	11.0	99,711	8.1	639,209	5.1	359709	10.0	1,636,038	8.3
2016	244,340	29.0	19,547	390.8	117,237	45.9	3987	295.9	90190	71.2	282,046	34.4	120,818	21.2	705,343	10.3	427554	18.9	2,011,062	22.9
2017	244,463	0.1	20,131	3.0	121253	3.4	9726	143.9	88878	-1.5	275,784	-2.2	124,857	3.3	675,757	-4.2	473528	10.8	2,034,377	1.2
2018	236,951	-3.1	20,932	4.0	129394	6.7	9685	-0.4	100054	12.6	272,100	-1.3	128,283	2.7	621,478	-8.0	462968	-2.2	1,981,845	-2.6
2019	229,815	-3.0	21,389	2.2	137813	6.5	10582	9.3	99763	-0.3	273,809	0.6	131,146	2.2	548,999	-11.7	467128	0.9	1,920,444	-3.1
2020	206,218	-10.3	21,174	-1.0	124044	-10.0	10343	-2.3	92016	-7.8	242,759	-11.3	112,005	-14.6	436,549	-20.5	410534	-12.1	1,655,642	-13.8
2021	232,751	12.9	20,721	-2.1	142629	15.0	10341	0.0	117417	27.6	263,082	8.4	203,679	81.8	423,249	-3.0	351878	-14.3	1,765,747	6.7
2022	254,642	9.4	20,178	-2.6	172301	20.8	10847	4.9	133282	13.5	307,242	16.8	139,225	-31.6	524,191	23.8	539721	53.4	2,101,629	19.0

The table has been **prepared by the researchers based on data from**:

- **The National Centre for Statistics and Information (NCSI), Oman – Annual Statistical Yearbook (various editions).**
- **The Ministry of National Economy, Oman – Annual Statistical Yearbook (various editions).**

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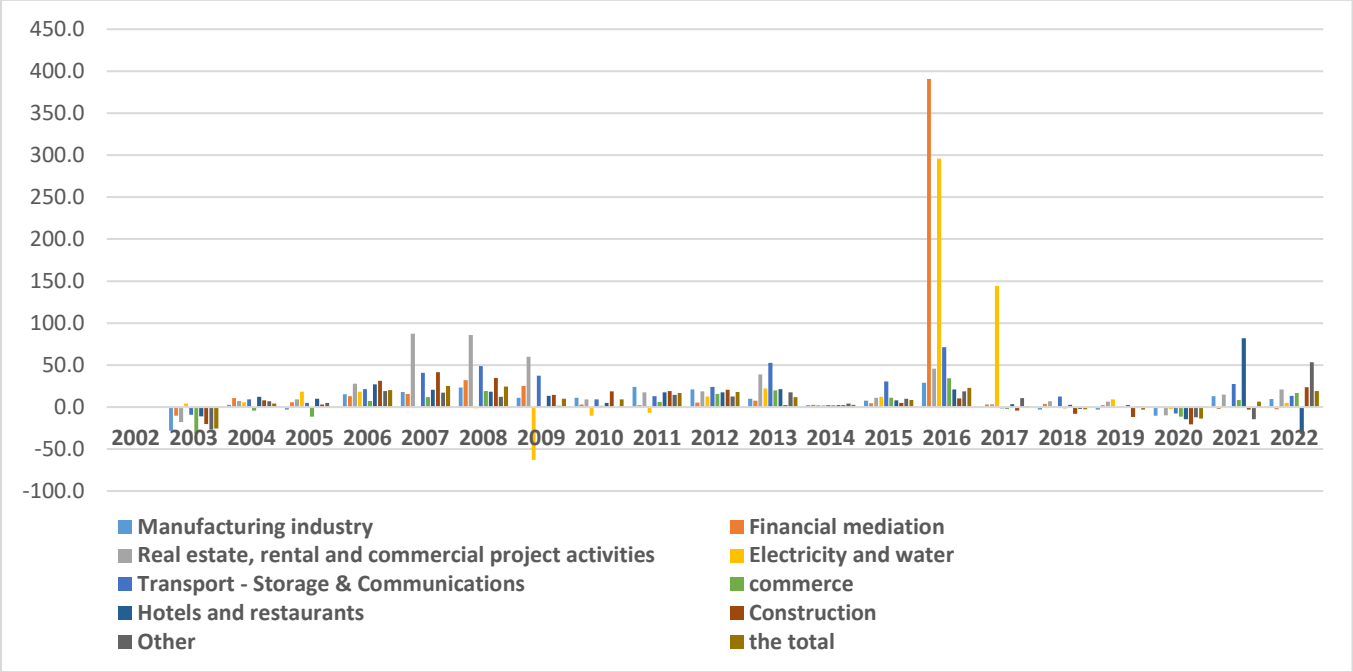

Graph (2) showing the **Employment Growth Rates by Sector in Oman's Economy (2002-2022)**

The **Graph (2)** has been **prepared by the researchers based on Table (3)**. It illustrates the **employment growth rates by sector in Oman's economy (2002-2022)**, showing fluctuations in employment trends. The **highest growth rates were recorded in the Financial Intermediation and Electricity & Water sectors**. Let me know if you need any adjustments or additional analysis.

Table (4), the relative importance of workers in the private, family, civil and other sectors according to economic activity in the Omani economy for the period 2002-2022 (%)

Years	Manufacturing industry	Financial mediation	Real estate, rental and commercial project activities	Electricity and water	Transport - Storage & Communications	commerce	Hotels and restaurants	Construction	Other	the total
2002	12.90	0.25	0.90	0.25	0.85	27.10	4.15	24.51	29.10	100.00
2003	12.43	0.30	0.99	0.35	1.04	24.96	4.96	26.28	28.69	100.00
2004	12.27	0.32	1.02	0.35	1.09	22.95	5.34	27.23	29.43	100.00
2005	11.87	0.34	1.11	0.42	1.14	20.31	5.87	28.04	30.91	100.00
2006	11.40	0.32	1.18	0.41	1.15	18.11	6.20	30.60	30.63	100.00
2007	10.77	0.29	1.77	0.33	1.30	16.18	5.97	34.68	28.71	100.00
2008	10.65	0.31	2.64	0.26	1.55	15.50	5.67	37.53	25.89	100.00
2009	10.77	0.36	3.83	0.09	1.93	14.21	5.84	39.05	23.93	100.00
2010	10.95	0.34	3.82	0.07	1.93	13.19	5.62	42.41	21.67	100.00
2011	11.63	0.29	3.85	0.06	1.87	12.00	5.67	43.36	21.26	100.00
2012	11.91	0.26	3.86	0.05	1.96	11.73	5.64	44.30	20.27	100.00
2013	11.73	0.25	4.80	0.06	2.68	12.57	6.13	40.48	21.29	100.00
2014	11.67	0.25	4.79	0.06	2.68	12.52	6.11	40.28	21.65	100.00
2015	11.58	0.24	4.91	0.06	3.22	12.83	6.09	39.07	21.99	100.00
2016	12.15	0.97	5.83	0.20	4.48	14.02	6.01	35.07	21.26	100.00
2017	12.02	0.99	5.96	0.48	4.37	13.56	6.14	33.22	23.28	100.00
2018	11.96	1.06	6.53	0.49	5.05	13.73	6.47	31.36	23.36	100.00
2019	11.97	1.11	7.18	0.55	5.19	14.26	6.83	28.59	24.32	100.00
2020	12.46	1.28	7.49	0.62	5.56	14.66	6.77	26.37	24.80	100.00
2021	13.18	1.17	8.08	0.59	6.65	14.90	11.54	23.97	19.93	100.00
2022	12.12	0.96	8.20	0.52	6.34	14.62	6.62	24.94	25.68	100.00

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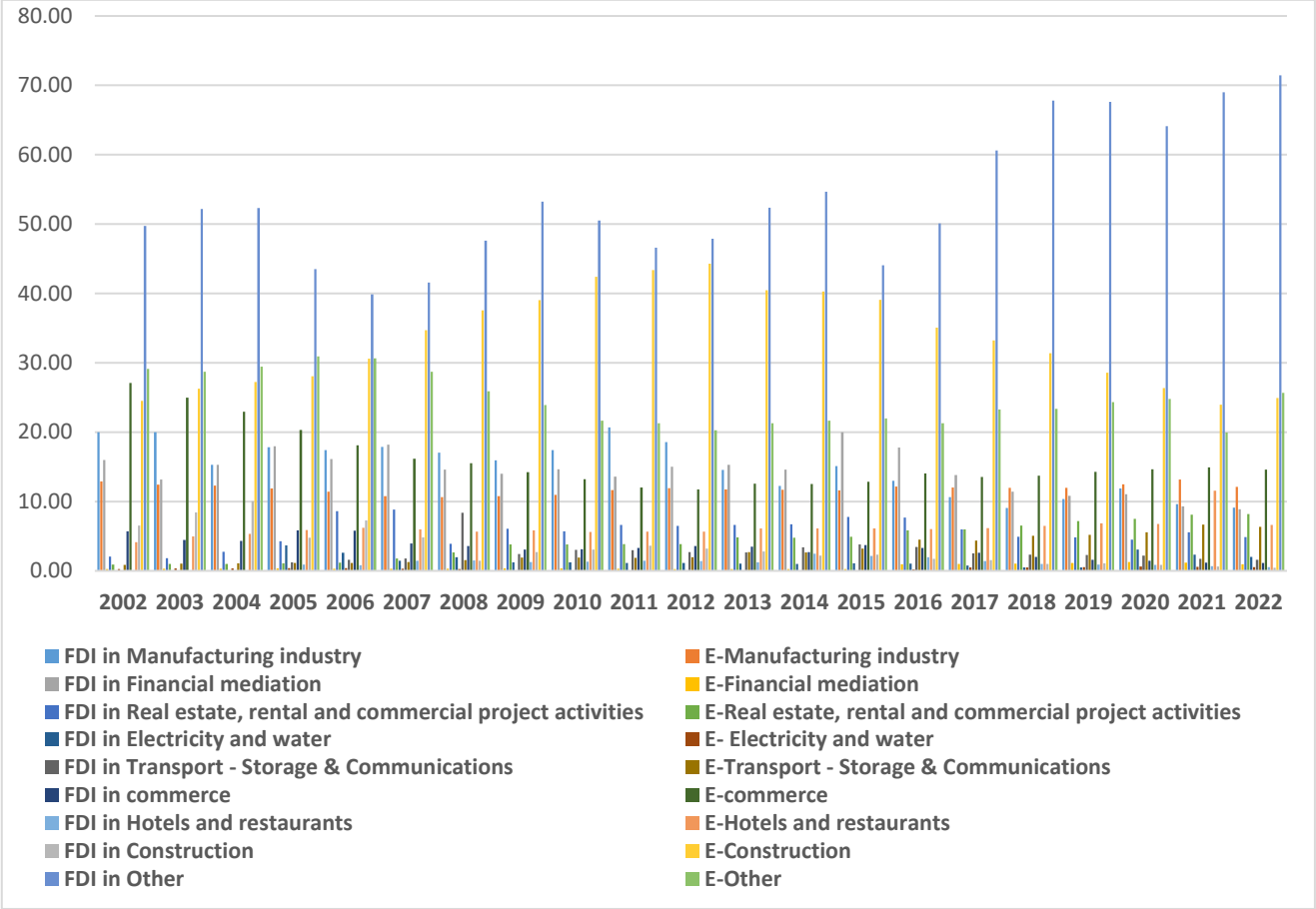
Vol. 44, March, 2025
ISSN: 2749-3628,



The relative significance of GDP and FDI by sector in Oman's economy from 2002 to 2022 is displayed in Graph 3. Based on Table (3), the researchers created this graph, which illustrates how the importance of several economic sectors changed throughout the course of the study.

The researchers created Graph (3) using Tables (2) and (4) as a guide. It shows the proportional significance of production by economic activity and foreign direct investment (FDI) in Oman's economy between 2002 and 2022. The graph shows how FDI is becoming more and more important in the manufacturing and financial intermediation sectors, while the manufacturing, trade, and construction sectors had the greatest employment rates (E).

2.2 Econometric Analysis of the Results

The econometric aspect of this study is based on a set of **economic variables**, which can be expressed as follows: EM=F(FM,FC,FH,FCO)EM = F(FM, FC, FH, FCO)EM=F(FM,FC,FH,FCO)

Where:

- **EM** represents **employment (dependent variable).**
- **Independent variables**:
  - **FM**: FDI in the **manufacturing sector**.
  - **FC**: FDI in the **trade sector**.
  - **FH**: FDI in the **hotels and restaurants sector**.
  - **FCO**: FDI in the **construction sector**.

2.2.1 Augmented Dickey-Fuller Test (Unit Root Test)

The outcomes of the Augmented Dickey-Fuller (ADF) unit root test, which looks at the variables' stationarity, are shown in Table (5). According to the results, every variable is stationary at the first difference:

- The employment variable (EM) has no trend at the 5% significance level and a constant only at the 10% significance level, making it stationary at the first difference.

World Economics & Finance Bulletin (WEFB)
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Vol. 44, March, 2025
ISSN: 2749-3628,

- At the 5% significance level, the manufacturing FDI variable (FM) is stationary at the first difference: o With a constant alone and without a constant and trend.
- At the 5% significance level, the trade FDI variable (FC) is stationary at the first difference: With a constant alone and with a constant and trend.
- At the 1% significance level, there is no trend or constant.
- At the 1% significance level, the FDI variables for hotels and restaurants (FH) and construction (FCO) are stationary at the first difference:
- With a constant alone, with a constant and trend, and without a constant and trend.

UNIT ROOT TEST RESULTS TABLE (ADF) **Null Hypothesis: the variable has a unit root**						
	At Level					
		EM	**FM**	**FC**	**FH**	**FCO**
With Constant	t-Statistic	-0.1824	-0.1172	-1.8791	-1.6059	-2.6347
	Prob.	***0.9262***	***0.9347***	***0.3345***	***0.4613***	***0.1029***
		n0	n0	n0	n0	n0
With Constant & Trend	t-Statistic	-2.8032	-3.2658	-1.1152	-1.6735	-2.2124
	Prob.	***0.2128***	***0.1074***	***0.9006***	***0.7250***	***0.4580***
		n0	n0	n0	n0	n0
Without Constant & Trend	t-Statistic	1.9743	2.4512	0.8030	-0.0905	-0.4909
	Prob.	***0.9849***	***0.9945***	***0.8780***	***0.6402***	***0.4905***
		n0	n0	n0	n0	n0
	At First Difference					
		d(EM)	d(FM)	d(FC)	d(FH)	d(FCO)
With Constant	t-Statistic	-2.8744	-3.3068	-3.6909	-5.9551	-5.2842
	Prob.	***0.0671***	***0.0291***	***0.0134***	***0.0001***	***0.0005***
		*	**	**	***	***
With Constant & Trend	t-Statistic	-2.8039	-3.2249	-3.7426	-6.2534	-5.6134
	Prob.	***0.2135***	***0.1092***	***0.0492***	***0.0004***	***0.0013***
		n0	n0	**	***	***
Without Constant & Trend	t-Statistic	-2.0934	-2.4783	-3.3456	-5.7210	-5.4360
	Prob.	***0.0379***	***0.0163***	***0.0021***	***0.0000***	***0.0000***
		**	**	***	***	***
Notes: a: (*)Significant at the 10%; (**)Significant at the 5%; (***) Significant at the 1% and (no) Not Significant b: Lag Length based on SIC c: Probability based on MacKinnon (1996) one-sided p-values.						

Table (5) Augmented Dickey-Fuller Unit Root Test

2.2.2 Estimating the Employment Function Using the Autoregressive Distributed Lag (ARDL) Model

Table (6) presents the results of the **ARDL model estimation for the employment function**. The findings indicate that **R-squared = 0.991973**, meaning that the independent variables explain **99.19% of the variation in the dependent variable**, while the remaining variation is due to other factors not included in the model.
Additionally, the **Adjusted R-squared = 0.980506**, and the **F-statistic = 86.50737 at a 1% significance level**, confirming that the estimated model is **statistically significant at the 1% level**.

Table 6 ARDL model for operating function

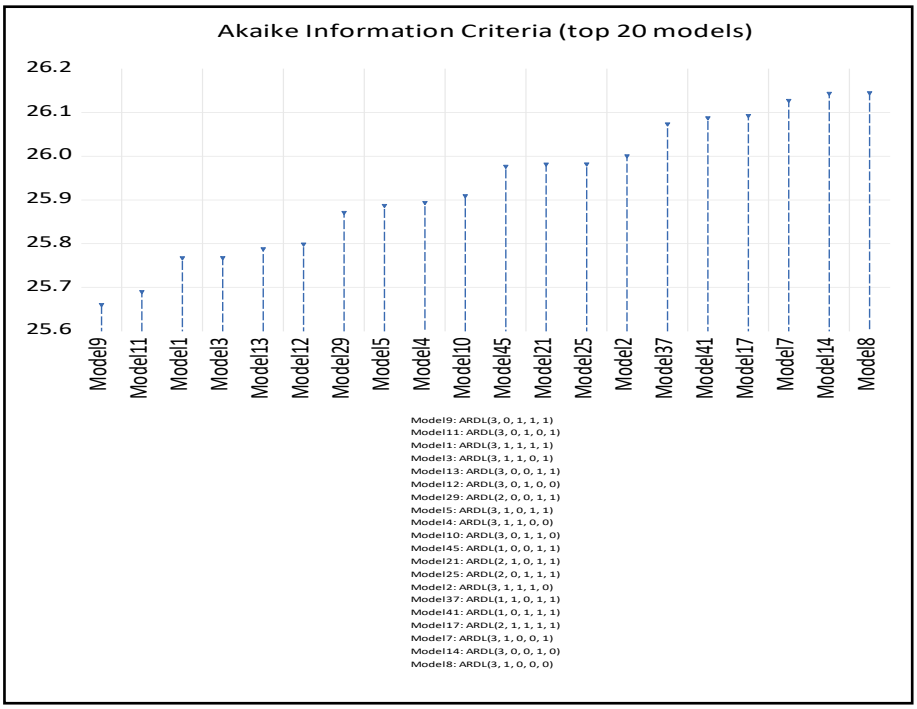
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.***
EM(-1)	-0.002150	0.281740	-0.007633	0.9941

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 44, March, 2025
ISSN: 2749-3628,

EM(-2)	-0.250800	0.394069	-0.636436	0.5447
EM(-3)	0.579191	0.297382	1.947635	0.0925
FM	-3.590465	101.6077	-0.035337	0.9728
FC	6755.020	2466.232	2.739004	0.0290
FC(-1)	2401.650	1747.853	1.374057	0.2118
FH	1271.326	1120.681	1.134423	0.2940
FH(-1)	-2153.329	2092.443	-1.029098	0.3377
FCO	-1246.658	635.2256	-1.962543	0.0905
FCO(-1)	-1446.772	830.2420	-1.742591	0.1249
C	-338942.1	148618.6	-2.280617	0.0566
R-squared	0.991973	Mean dependent var		1373214.
Adjusted R-squared	0.980506	S.D. dependent var		562922.7
S.E. of regression	78595.31	Akaike info criterion		25.65977
Sum squared resid	4.32E+10	Schwarz criterion		26.20389
Log likelihood	-219.9379	Hannan-Quinn criter.		25.73480
F-statistic	86.50737	Durbin-Watson stat		2.102801
Prob(F-statistic)	0.000002			
*Note: p-values and any subsequent tests do not account for model selection.				

Table of researchers preparing based on E-views12.

Based on the **Akaike Criterion**, **Graph (4)** shows that the **optimal lag periods** are **(3,0,1,1,1)**, as they yield the **lowest value**.



الشكل البياني (4) فترات الابطاء المثلى
الشكل من إعداد الباحثين بالاعتماد على البرنامج E-views12.

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Vol. 44, March, 2025
ISSN: 2749-3628,

2.2.3 Bounds Test

Table (7) shows that the **F-statistic = 6.927953**, which is **greater than the upper bound (4.37) at the 1% significance level**. This indicates the existence of a **long-term equilibrium relationship between the variables**.

Table 7 Bound Test

F-Bounds Test		**Null Hypothesis: No levels relationship**		
Test Statistic	**Value**	**Signif.**	**I(0)**	**I(1)**
F-statistic	6.927953	10%	2.2	3.09
k	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37

Table of researchers preparing based on E-views12.

2.2.4 Diagnostic Tests

2.2.4.1 Serial Correlation LM Test

Table (8) shows that the **p-values for both the F-statistic and Chi-Square tests are not significant at the 5% level**. Therefore, we **fail to reject the null hypothesis**, which states that **there is no serial correlation in the residuals**.

Table 8 results of the serial link test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.321270	Prob. F(1,6)	0.5914
Obs*R-squared	0.914827	Prob. Chi-Square(1)	0.3388

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2.2.4.2 Heteroskedasticity Test

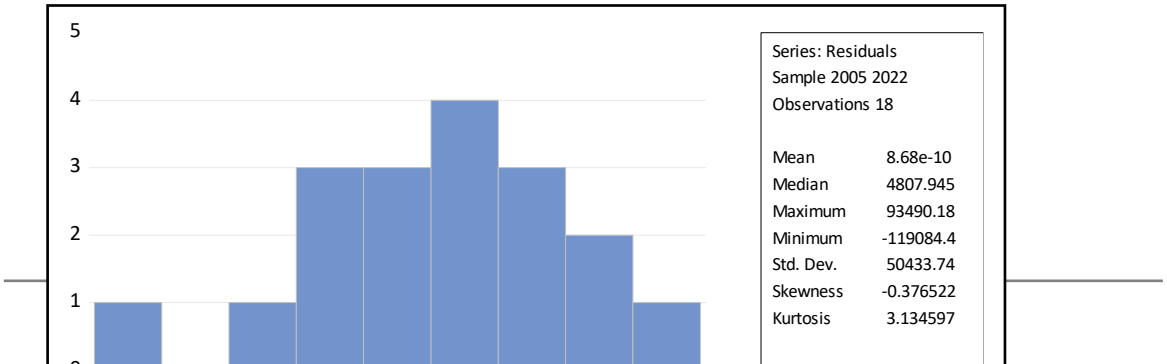
Table (9) shows that the **p-values for both the F-statistic and Chi-Square tests are not significant at the 5% level**. Therefore, we **fail to reject the null hypothesis**, which states that **there is no heteroskedasticity problem**.

Table 9. Contrast inconsistency test

Heteroskedasticity Test: Breusch-Pagan-Godfrey **Null hypothesis: Homoskedasticity**			
F-statistic	1.591708	Prob. F(10,7)	0.2760
Obs*R-squared	12.50192	Prob. Chi-Square(10)	0.2529
Scaled explained SS	2.017965	Prob. Chi-Square(10)	0.9962

2.2.5 Histogram-Normality Test

Graph (5) shows that the **p-value for the Jarque-Bera statistic is not significant at the 5% level**. Therefore, the **estimated model follows a normal distribution of the random errors**.



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Available Online at: https://www.scholarexpress.net
Vol. 44, March, 2025
ISSN: 2749-3628,

Figure 5. Natural distribution of random mistakes

2.2.6 Predictive Performance Test of the Error Correction Model

Graph (6) shows that **Theil's coefficient is 0.021**, indicating a good predictive performance. Additionally:

- The **bias proportion (BP) is 0.0031**, which is **close to zero**.
- The **variance proportion (VP) is 0.0131**, also **close to zero**.
- The **covariance proportion (CP) is 0.983**, which is **close to one**.

These results confirm that the **estimated model is reliable for forecasting and future economic policy planning**.

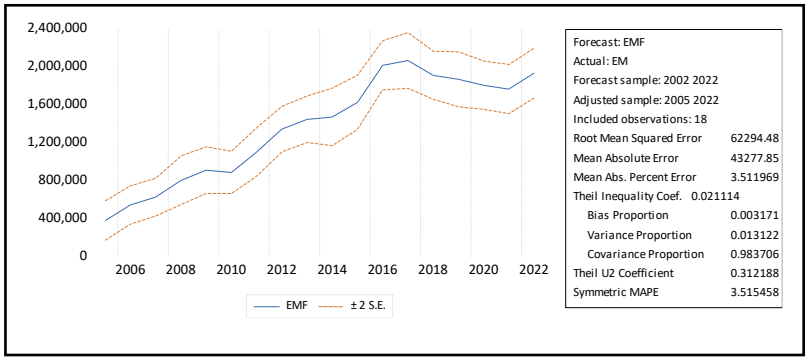

Figure 6. Predictive performance of the error correction model
The format of researchers preparing based on E-views12.

2.2.7 Estimating Short-Term and Long-Term Parameters, Including the Error Correction Term

2.2.7.1 Estimating Short-Term Parameters and the Error Correction Term

Table (10) presents the **short-term parameters**, revealing the following findings:

- The **FC variable (FDI in the trade sector)** has a **significant positive effect at the 1% level** on employment. This means that an **increase of one unit (one million Omani rials) in FDI in the trade sector leads to an increase in employment by 6,755.020 workers**. This confirms that **FDI in the trade sector contributes to employment diversification and job creation**.
- The **FH variable (FDI in the hotels and restaurants sector)** has a **significant positive effect at the 5% level** on employment. Specifically, an **increase of one unit in FDI in this sector results in an increase in employment by 1,271.326 workers**. This indicates that **FDI in hotels and restaurants plays a role in employment diversification and the expansion of job opportunities**.
- Conversely, the **FCO variable (FDI in the construction sector)** has a **significant negative effect at the 1% level** on employment. An **increase of one unit in FDI in the construction sector leads to a decrease in employment by 1,246.658 workers**. This suggests that **investment in construction may be highly capital-intensive, requiring advanced technology and reducing demand for manual labour**.

Table 10 short-term parameters and error correction model

ECM Regression

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Vol. 44, March, 2025
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Case 2: Restricted Constant and No Trend				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
D(EM(-1))	-0.328392	0.149275	-2.199911	0.0637
D(EM(-2))	-0.579191	0.127659	-4.537029	0.0027
D(FC)	6755.020	756.6450	8.927595	0.0000
D(FH)	1271.326	542.9761	2.341404	0.0517
D(FCO)	-1246.658	357.3331	-3.488783	0.0101
CointEq(-1)*	-0.673759	0.079815	-8.441502	0.0001
R-squared	0.878136	Mean dependent var		93183.89
Adjusted R-squared	0.827359	S.D. dependent var		144471.7
S.E. of regression	60028.16	Akaike info criterion		25.10422
Sum squared resid	4.32E+10	Schwarz criterion		25.40101
Log likelihood	-219.9379	Hannan-Quinn criter.		25.14514
Durbin-Watson stat	2.102801			

Table of researchers preparing based on E-views12.

Table (10) shows that the **error correction term CointEq(-1) is negative and significant at the 1% level**. However, its absolute value is **less than one**, indicating that **the speed of adjustment is slow in correcting short-term imbalances to achieve long-term equilibrium.** ***2.7.2.2 معالم الأجل الطويل***
Table (11) shows that the **FC variable (FDI in the trade sector) has a significant positive effect at the 1% level on employment**. This means that **an increase of one unit in FDI in the trade sector leads to a long-term increase in employment by 13,590.43 workers**. This confirms that **FDI in the trade sector contributes to employment diversification in the long term, thereby increasing job opportunities**.

Table 11. Long-term parameters

Levels Equation Case 2: Restricted Constant and No Trend				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
FM	-5.329008	150.9017	-0.035314	0.9728
FC	13590.43	3371.562	4.030901	0.0050
FH	-1309.078	2633.951	-0.497001	0.6344
FCO	-3997.619	1752.987	-2.280461	0.0566
C	-503061.5	263357.7	-1.910184	0.0977
EC = EM - (-5.3290*FM + 13590.4305*FC -1309.0775*FH -3997.6187				
*FCO - 503061.5212)				

Table of researchers preparing based on E-views12.

ANALYSIS OF THE FINDINGS

To our knowledge, the role of FDI by sector on employment diversification has not been thoroughly investigated, despite the fact that FDI in the Omani economy has been the subject of several studies.
A World Bank Group research (2020, p. 3) found evidence that foreign-owned companies had a favorable effect on employment creation in their subsidiaries. For highly qualified individuals, however, the pay disparity between domestic and overseas companies is more noticeable. Only minor pay growth is occurring in sophisticated industries, such as suppliers to multinational corporations, despite a notable rise in employment. On the other hand, there is little impact on regional rivals in terms of employment and pay. These results are influenced by a number of important aspects, such as the kind of FDI, the size of local businesses, the proportion of local ownership, and the sector's technological capability.
Moreover, Oman's strategic position, social and political stability, availability of trained labor from nearby nations, and advanced infrastructure are the main draws for foreign direct investment (FDI) in the port industry, according to

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Ibrahim et al. (2019, p. 879). Access to finance, the implementation of new management and regulatory procedures, the creation of jobs, the enhancement of local investment, and the transfer of cutting-edge technology are all advantages of foreign direct investment (FDI) at Omani ports.

Key Contributions of This Study

Our study stands out as it **quantifies and analyses the impact of sector-specific FDI on employment**, providing insight into **how FDI in a particular sector influences job creation**.

The presence of a long-term equilibrium connection between the variables is confirmed by the econometric tests.

• Short-term results show that whereas FDI in the construction industry significantly reduces employment, FDI in the trade and hotel and restaurant sectors significantly increases employment.

• Long-term results show that foreign direct investment (FDI) in the trade sector significantly improves employment, indicating its importance in job creation and employment diversification over time.

CONCLUSIONS

1. Sector-specific FDI plays a crucial role in employment diversification and increasing job opportunities within the economy.
2. Time series analysis suggests that an increase in FDI has led to higher employment levels in the real estate & business activities, transport-storage-communications, trade, and hotels & restaurants sectors. This highlights the significant role of sector-specific FDI in diversifying employment and enhancing job opportunities.
3. Despite the notable share of FDI in the manufacturing and financial intermediation sectors, their contribution to employment has remained limited, indicating that these sectors may be more capital-intensive rather than labour-intensive.
4. The findings of the Bounds Test, an econometric test, verify that there is a long-term equilibrium connection between the variables.
5. According to short-term results, FDI significantly increases employment in the trade and hotels & restaurants (FC, FH) sectors, while it significantly decreases employment in the construction sector (FCO), most likely as a result of its capital-intensive character. Long-term results confirm that FDI in the trade sector (FC) has a significant positive impact on employment, reinforcing its role in sustained employment growth and diversification.

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