African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30 Juin 2025

Assessment of the synergistic impact of domestic and foreign direct investment on economic growth in Morocco.

Auteur 1 : NOUALA Jamal
Auteur 2 : HASNAOUI Rachid

NOUALA Jamal, Doctoral Student, Laboratory of Economic Sciences and Public Policy, Faculty of Economics and Management, Ibn Tofail University of Kenitra, Morocco,

HASNAOUI Rachid, Research Professor, Laboratory of Economic Sciences and Public Policy, Faculty of Economics and Management, Ibn Tofail University of Kenitra, Morocco

Déclaration de divulgation : L'auteur n'a pas connaissance de quelconque financement qui pourrait affecter l'objectivité de cette étude.

Conflit d'intérêts : L'auteur ne signale aucun conflit d'intérêts.

Pour citer cet article : NOUALA .J & HASNAOUI .R (2025). « Assessment of the synergistic impact of domestic and foreign direct investment on economic growth in Morocco», African Scientific Journal « Volume 03, Numéro 30 » pp: 1580– 1596.

DOI : 10.5281/zenodo.16359499

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

Abstract:

In a global context characterized by increasing globalization, market liberalization, and rising capital flows, this study investigates the impact of the interaction between Foreign Direct Investment (FDI) and domestic investment on Morocco's economic growth. Grounded in a theoretical framework encompassing various economic approaches—classical, neoclassical, endogenous, and Keynesian—and employing a quantitative methodology with an ARDL model covering the period 1990–2023.

The analysis reveals that both FDI inflows and domestic investment exert a positive influence on growth. Their interaction demonstrates a strong complementarity, amplifying their respective beneficial effects. Additionally, public expenditure exhibits a positive long-term impact, albeit less significant in the short term.

These findings underscore the importance of enhancing FDI attractiveness, fostering domestic investment, and promoting their synergy through policies focused on innovation, infrastructure development, and strategic management of public expenditures to support sustainable growth.

Keywords: FDI, attractiveness, domestic investment, economic growth

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

Introduction

The modern global economic landscape is characterized by an unprecedented intensification of international financial flows, notably through Foreign Direct Investment (FDI), which plays a central role in energizing developing economies. Since the 1990s, FDI has been regarded as a strategic lever to stimulate growth, enhance competitiveness, and foster innovation within these countries (Hoa et al., 2024). The economic literature highlights that such investments contribute to increasing value added through technology transfer and productivity improvements and generate indirect effects such as knowledge diffusion, workforce training, and reductions in information and transaction costs (Aghasafari et al., 2021; Esmaeili et al., 2023). Globally, developing countries have attracted an increasing share of these flows, thus offering the potential to benefit from higher foreign investments, contingent upon a favorable institutional and economic environment (Magbondé & Konté, 2022).

Several studies have explored the contribution of FDI to growth in various contexts, demonstrating that their impact largely depends on pre-existing conditions, institutional frameworks, and public policies (Brahim & Rachdi, 2014; Belloumi & Alshehry, 2016). In Morocco, while results remain nuanced, some works highlight a positive contribution to the modernization of certain sectors, whereas others note limited effects (Massaoudi & Baddih, 2024). The country's economic growth also depends on domestic investment, which constitutes an essential development driver. Therefore, the relationship between domestic and foreign investment becomes central to understanding the growth process, especially in a context where Morocco's capacity to absorb foreign investments is still evolving.

Since the 1990s, Morocco has undertaken numerous legislative reforms, modernized its infrastructure, and established special economic zones to enhance its attractiveness to foreign investors (World Bank, 2022). These efforts have contributed to positioning Morocco as a dynamic hub for FDI in North Africa, particularly in key sectors such as automotive, aeronautics, and pharmaceuticals. However, despite this increasing attractiveness, the actual potential of FDI to contribute to sustained and sustainable growth remains partially untapped, constrained by persistent structural challenges such as weak institutional capacities, the need to improve human capital, and economic diversification.

The primary aim of this study is to thoroughly analyze how the interaction between these two types of investments—foreign and domestic—influences Morocco's economic growth. Specifically, the study seeks to understand whether the inflow of Foreign Direct Investment (FDI) indeed stimulates domestic investment in innovation, productivity, and job creation, or

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

whether, on the contrary, it hampers or partially replaces local investment. It also aims to evaluate whether this interaction exerts a positive or negative influence on the country's economic growth. In other words, the study aims to answer a central question: does FDI serve as a genuine development driver that complements domestic investment, or does it act as a substitute that, in some cases, may divert or reduce local investments?

This topic holds strategic importance for policymaking, as it can help better guide attraction and support strategies for investment. Understanding the nature of this interaction could help identify favorable conditions for an optimal synergy between FDI and local investments, fostering sustainable, inclusive, and resilient growth. Finally, this study adopts an approach that takes into account the specificities of the Moroccan context: its institutional structures, economic challenges, sectoral strengths, and potential opportunities for enhancing the benefits of foreign investment flows.

The rest of this article is organized as follows. The first section presents a synthetic review of the theoretical and empirical literature on the transmission channels through which FDI, in interaction with domestic investment, influences economic growth. The second section details the epistemological stance and methodological approach adopted, including model specification, variables used, data sources, and methodological aspects related to the estimation process. The third section presents the estimation results, along with an interpretation of the main findings, draws conclusions, and discusses policy implications to optimize the impact of FDI within the Moroccan economic framework.

Literature review

Theoretical literature

The examination of theoretical foundations offers important insights for our research. These theoretical approaches shed light on the mechanisms and dynamics that explain how different forms of investment interact to produce synergistic effects and stimulate growth.

The classical approach emphasizes the importance of savings and investment as fundamental drivers of growth. This perspective considers that substantial savings provide the basic capital needed to finance investment, thereby facilitating the buildup of physical capital and, by extension, economic development. Adam Smith supported free competition and the market's ability to operate efficiently, and both elements are essential for mobilizing these resources (Smith, 1776). However, this approach falls short because it doesn't fully recognize how innovation, strong institutions, and internal factors help turn savings and investment into lasting growth.

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

The neoclassical approach, exemplified by the models of Solow and Swan, asserts that growth depends on capital accumulation, population increase, and, most importantly, technological progress (Solow, 1956; Swan, 1956). From this perspective, investment is a key means of expanding the capital base and increasing productivity. Foreign direct investment (FDI) can potentially accelerate this process by introducing new technologies and skills. However, this idea is often rejected because it does not account for the active role of research and development (R&D) or the institutional variables that influence the effectiveness of these investments, whether they are made domestically or abroad.

Endogenous growth models, especially those created by Romer and Lucas, explain that growth comes from investing in people's education, research, and new ideas. Savings are essential not only for financing tangible assets but also for enabling individuals to learn, improve their skills, and generate new ideas. All of this contributes to long-term success. The relationship between domestic investments and foreign direct investment (FDI) can be considered a virtuous cycle: domestic savings finance local investments, while FDI brings foreign technologies and expertise that help disseminate knowledge and develop local innovative capabilities.

Conversely, Keynes asserts that the market occasionally requires encouragement. Strategic government expenditure can revitalize the market when private investment stagnates or savings diminish (Keynes, 1936). Investing in infrastructure, education, and R&D lays the foundation for future growth. Better roads facilitate more efficient supply chains. A skilled workforce attracts larger investments. During recessions, public spending serves as a buffer, preventing the collapse of demand.

However, all of this does not work without an essential element: trust. Stable institutions, clear rules, and strong property rights are not just nice-to-haves; they are the glue that holds everything together. Well-managed systems do more than regulate investments; they create opportunities where national capital and FDI mutually reinforce each other. It is at this point that growth ceases to be a zero-sum game and begins to lift everyone.

In conclusion, there is no single solution that works for all situations. Real progress occurs when countries combine savings, foreign investment, and public spending into a coherent strategy. Achieving the correct balance enhances the overall effectiveness of the strategy.

1.2 Empirical literature

Research on investment and growth does not offer straightforward, universal solutions. The results vary significantly depending on the context, the period, and the methodological approach adopted. Certainly, FDI can be a powerful lever, capable of boosting local investment,

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

transferring technologies, and creating jobs. However, it only works if the host country is prepared—with strong institutions, efficient capital utilization, and a business climate that does not scare off investors.

Take the MENA region, for example. Omri and Kahouli (2014) tracked 13 countries over two decades and found something intriguing: FDI and domestic investment do not just coexist; they feed off each other. Growth stimulates both, and FDI even leads to an increase in local capital over the long term. In other words, these countries need to engage in more than just attracting foreign money. They also need to ramp up local investment—it's a two-pronged strategy.

In a similar study, Lean and Tan (2011) analyzed nearly 30 years of data in Pakistan and found that FDI and domestic investment are engaged in a mutual push, each driving the other forward. FDI is not just passive capital; it triggers domestic investment, which is essential for maintaining long-term growth. And let us not forget that local investment, especially from the private sector, often has an even bigger impact. Azeem and Bashir (2011) showed that in Pakistan, local private investment stimulated growth more than FDI. In summary, development cannot be outsourced. Countries need to strengthen their asset base first.

In Malaysia, Mohamed et al. (2013) examined the idea that FDI automatically leads to sustainable growth. Their conclusion: no direct long-term link. While FDI offers a temporary boost, achieving lasting gains requires the implementation of robust structural reforms.

Thus, macroeconomic stability is not a luxury; it is fundamental. Almalik et al. (2024) emphasize this: stable exchange rates, sound public finances, and controlled inflation are not just textbook concepts. They are what truly make FDI work for investments in infrastructure, exports, etc. Morocco's experience (El Aissaoui et al., 2024) confirms this: public spending can fuel growth, but only if it is precisely targeted, like a laser beam rather than scattered like confetti.

In conclusion, while FDI is important, it is not a panacea. Its effectiveness entirely depends on what is already in place: smart policies, a stable economy, and local investors ready to take the lead. How do we draw in foreign capital and establish a robust economy? That's not two separate tasks. This is a singular mission. Therefore, we have formulated several hypotheses to examine the relationship between foreign direct investment, domestic investment, and Morocco's economic growth. The initial hypothesis (H1) posits that foreign direct investment (FDI) yields a beneficial short-term effect; nevertheless, this benefit is transient unless accompanied by structural reforms to guarantee its longevity. The second (H2) underscores the necessity of mobilizing savings and internal private investment to enhance this impact. The

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

third hypothesis (H3) proposes that foreign direct investment (FDI) and domestic investment help each other grow when the overall economic conditions are favorable, creating a situation where they rely on each other.

Methodology

This study examines the impact of the synergy between foreign direct investment (FDI) and domestic investment on economic growth in Morocco. Adopting a deductive approach, we formulated hypotheses based on a solid review of the existing literature. Accordingly, our objective is to empirically test these hypotheses in an objective manner. The study seeks to address potential shortcomings or inconsistencies within the theories that explain reality or to establish links between these theories and tangible events. Regardless of our personal perspectives, the purpose of this research remains external to us and emphasizes that reality is influenced by observable and measurable causes, following a scientific approach. In this context, our research aligns with the positivist paradigm, which establishes a relationship between theory and practice through observation and measurement of facts.

To collect and analyze data, we used a quantitative approach to ensure greater objectivity. The methodology is based on econometric modeling of time series data, utilizing secondary data covering the period from 1990 to 2023. We adopted a multi-step approach to conduct this analysis. First, we verified the stationarity of the variables by identifying their unit roots. Next, cointegration tests were performed to determine the presence of long-term relationships among the variables. This procedure allowed us to examine both short-term and long-term effects of each explanatory variable on economic growth simultaneously. Finally, additional analyses were carried out to evaluate the robustness of the results.

All these methodologies aim to deepen the understanding of economic processes within the Moroccan context, taking into account the temporal and structural particularities of the national economy. Table 1 presents the variables and specifies their data sources.

Table N° 1: Variables and data sources

Variable	Unit of mesure	Source
GDP Growth	Real GDP growth rate	WDI
Domestic Investments	Gross fixed capital formation (% of GDP)	WDI
FDI Flows	FDI Flows inflows (% of GDP)	UNCTAD
Public expenditure	Public spending (% of GDP)	WDI

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

To enhance comprehension of the relationship between FDI and domestic investment, we incorporated an interaction variable between the two. This variable enables the assessment of the cumulative impact of FDI and domestic private investment on economic growth, reflecting their potential for synergy or mutual displacement. The inclusion of this interaction variable in our model enables us to ascertain if the concurrent presence of these two investment kinds enhances the beneficial effect on growth or, conversely, whether one predominates or displaces the other.

Consequently, a significant and positive interaction would signify a synergistic relationship, whereas a negative or non-significant interaction may imply a displacement relationship or an absence of complementarity. This method allows for a more advanced and empirical analysis of the relationships between FDI, domestic investment, and economic growth.

We can say that the model variables are related to each other in the following way:

GDPG = f (DINV, FDIF, DINV_FDIF, GEXP)

Thus, the econometric model can be formulated as follows:

$$\boldsymbol{GDPG_t = \alpha + \beta_1 FDIF_t + \beta_2 DINV_t + \beta_3 FDIF\_DINV_t + \beta_4 GEXP_t + \varepsilon_t}$$

where:

- GDPG_t is the dependent variable representing economic growth at time t.
- FDIFt is the inflows of FDI at time t.
- DINVt is the domestic investment at time t
- FDIF_DINVt is the interaction between foreign direct investment and domestic investment at timet.
- GEXPt is public spending at time t
- α is the constant
- β1, β2, β3, β4 are the coefficients to be estimated
- εt is the error term at time t

To rationalize the values of the independent variables so that they are comparable at the same level as those of the dependent variable, a transformation in terms of the natural logarithm is necessary. This transformation, which entails computing the natural logarithm values of the independent variables, facilitates the linearization of the relationships among the variables and enhances the interpretation of the coefficients. We used this transformation to create the following third regression equation as part of our time series analysis:

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

$$\mathbf{LnGDPG_t} = \alpha + \mathbf{\beta_1 LnFDIF_t} + \mathbf{\beta_2 LnDINV_t} + \mathbf{\beta_3 LnFDIF\_DINV_t} + \mathbf{\beta_4 LnGEXP_t} + \varepsilon_t$$

Before we figure out the cointegration relationship, we first check to see if the variables are stationary and what their orders of integration are.

Results and discussions

3.1 Descriptive statistics

Descriptive statistics provide a clear overview of variable behavior by summarizing key characteristics – such as the mean, median, and standard deviation. Meanwhile, correlation matrices reveal both the strength and direction of relationships between variables through their coefficients.

Table N°2: Descriptive statistics and correlation matrix

	LnGDPG	LNFDIF	LNDINV	LNFDIF_DINV	LNGEXP
Mean	2,344761	0,547491	3,254568	1,618060	4.306216
Median	2,439759	0,570782	3,251601	1,794993	4.327729
Std. Dev.	0,582141	0,563764	0,092716	0,719456	0.066437
Skewness	-2,888988	-0,025821	-0,008626	-1,892149	-0.243467
Kurtosis	12,52951	2,510345	2,194413	7,079984	1.488197
Jarque-Bera	175,9453	0,343441	0,919797	43,87018	3.573757
Probability	0,000000	0,842214	0,631348	0,000000	0.167482
Observations	34	34	34	34	34
The correlation matrix					
	LnGDPG	**LnFDIF**	**LnDINV**	**LnFDIF_DINV**	**LnGEXP**
LnGDPG	1.000000				
LnFDIF	0.389188	1.000000			
LnDINV	-0.511561	0.326717	1.000000		
LnFDIF_DINV	-0.086219	-0.493264	0.196606	1.000000	
LnGEXP	-0.631457	-0.573102	-0.010512	0.234948	1.000000

Source: Authors' calculations using Eviews12 software

3.2 Unit root tests

To assess stationarity and determine integration orders, we employed both the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests. The findings appear in Table 3 below.

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

Table N°3: Unit root test results

Variables	Dickey-Fuller augmented (ADF)				Phillips-Perron (PP)				Decision
	At level		At first difference		At level		At first difference		
	t -statistic	P-value	t-statistic	P-value	t-statistic	P-value	t-statistic	P-value	
LnGDPG	-7.601409	0.0000	-	-	-7.515747	0.0000	-	-	**I(0)**
LnFDIF	-2.803779	0.0690	-13.35494	0.0000	-5.607199	0.0001	-17.83096	0.0001	**I(1)**
LnDINV	-1.554052	0.4942	-6.002680	0.0000	-1.537553	0.5025	-6.020701	0.0000	**I(1)**
LnFDIF_DINV	-2.478569	0.1299	-13.06026	0.0000	-5.010309	0.0003	-17.78263	0.0001	**I(1)**
LnGRS	-3.086013	0.0393	-7.117901	0.0000	-1.627029	0.4579	-6.948478	0.0000	**I(1)**

Source: Authors' calculations using Eviews12 software

We observe that all variables – except the economic growth rate, which is level-stationary – exhibit non-stationarity in their original forms. These series become stationary after first-differencing, confirming they are integrated of order one I(1).

3.3 Cointegration test

Cointegration analysis identifies long-run equilibrium relationships among variables in economic systems. Our stationarity testing revealed the dependent variable is stationary at level I(0), while all explanatory variables become stationary only after first-differencing I(1). This mixed integration justifies employing the Pesaran et al. (2001) cointegration approach, which detects stable relationships regardless of variables' integration orders.

The initial phase determines the optimal lag structure. This critical step establishes appropriate temporal dynamics and estimates the average response duration of endogenous variables.

3.3.1 Identification of the optimal lag

The Akaike Information Criterion (AIC) and Schwarz Criterion (SC) determine the optimal lag order by identifying the specification with the minimum value for each criterion. This selection process balances model accuracy against parsimony, establishing a robust foundation for subsequent cointegration testing.

Table N°4: Values of the information criteria to determine the optimal lag

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-10,86685	NA	1,98E-06	1,057790	1,291323	1,132499
1	50,73108	98.55670*	1.78e-07*	-1.382072*	0.019125*	-0.933817*
2	64,88057	17,92268	4,26E-07	-0,658705	1,910157	0,163096
3	94,14273	27,31136	4,96E-07	-0,942849	2,793677	0,252498

Source: Authors' calculations using Eviews12 software

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

3.3.2 Cointegration Pesaran test

The Pesaran test detects cointegration among variables, identifying their long-run equilibrium relationship. The null hypothesis suggests that there is no cointegration, whereas the alternative hypothesis suggests that the variables are related over the long run. The decision is based on an F-statistic, which is compared to a crucial threshold. If the statistic is over this threshold, we reject the null hypothesis and conclude that there is a long-term relationship between the variables. We cannot confirm the existence of such a link otherwise.

Table N°5: Cointegration test results

Test Statistic	**Value**	**Signif.**	**I(0)**	**I(1)**
F-statistic	11,33435		Finite Sample: n=30	
K	4	10%	2.525	3.56
Actual Sample Size	32	5%	3.058	4.223
		1%	4.28	5.84

Source: Authors' calculations using Eviews12 software

The results show that the F-statistic is 11.33, well above the critical thresholds for both levels (3.058 for I(0) and 4.223 for I(1)), thus confirming that there is a cointegration relationship between the studied variables. These results indicate a significant long-term relationship between the variables.

Given these results, which validate the presence of cointegration among the examined variables, we will proceed to estimate an ARDL model. This model will enable us to examine the short-term and long-term dynamics of the relationships among these variables. The error correction model, which incorporates both long-term and short-term relationships among variables, allows for adjustments to departures from long-term equilibrium. The model's general functional shape can be expressed as follows:

$$\Delta Y_t = \sum_{i=1}^{k} \beta_i \Delta X_{it} + \lambda \left(Y_{t-1} - \sum_{i=1}^{k} \alpha_i X_{i,t-1} \right) + \varepsilon_t$$

ΔY_t: Represents the variation of the dependent variable Y at period t.

ΔX_it: represents the variation of the explanatory variables Xi at period t.

β_i: are the coefficients of the short-term variations of the explanatory variables.

λ is the error correction coefficient (EC), quantifies how rapidly the system converges to long-run equilibrium. The error correction term.

$(Y_{t-1} - \sum_{i=1}^{k} \alpha_i X_{i,t-1})$: measures deviations from this equilibrium state.

α_i: coefficients capture the long-run relationships between variables.

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

ε_t: represents a white noise error term.

3.4 Diagnostic tests

Rigorous diagnostic testing is essential after model specification to ensure robustness and validity. These tests verify that residuals exhibit no autocorrelation, follow a normal distribution, and contain no unmodeled structural dependencies. Satisfying these conditions confirms the model's stability and adherence to statistical assumptions, ensuring reliable results that accurately reflect the underlying relationships among variables.

Table N°6: Diagnostic tests results

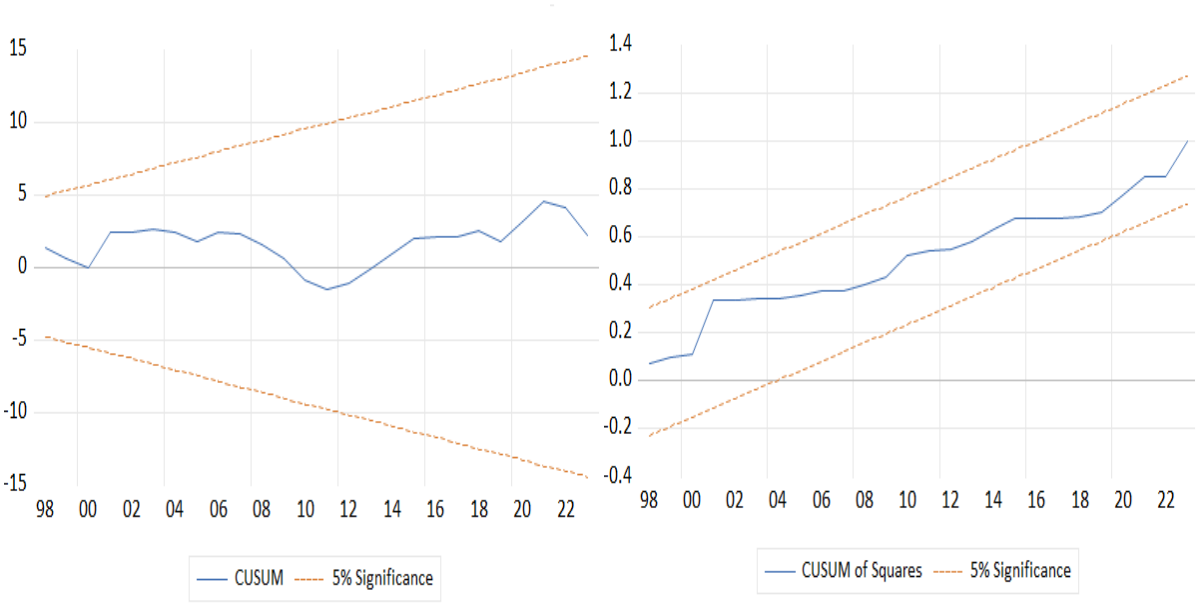
Hypothesis	Tests	Values	Probability
Absence of autocorrelation	Breusch-Godfrey	1.949862	0.1642
Absence of heteroscedasticity	Breusch-Pagan-Godfrey	0.945396	0.4686
	Arch-test	0.429303	0.6553
Normality of residues	Jarque-Bera	0.444605	0.8006
Specification	Ramsey (Fisher)	0.694449	0.5091

Source: Authors' calculations using Eviews12 software

Comprehensive diagnostic tests confirm the model's robustness. The Breusch-Godfrey test (p = 0.1642) indicates no residual autocorrelation, confirming error independence. Both Breusch-Pagan-Godfrey and ARCH tests (p = 0.4686 and 0.6553, respectively) validate homoscedasticity, demonstrating stable error variance. Normality is established by the Jarque-Bera test (p = 0.8006), while the Ramsey RESET test (p = 0.5091) confirms the correct functional form. Finally, CUSUM and CUSUM-squared tests reveal parameter stability throughout the sample period, showing no structural breaks. Collectively, these diagnostics demonstrate a well-specified, stable model suitable for analyzing temporal dynamics among variables.

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

Figure N°1: CUSUM and CUSUM of Squares tests results



Source: Authors' calculations using Eviews12 software

3.5 Short-term and long-term estimation results

Table N° 7 presents both short-term and long-term estimation results, illustrating the dynamic relationships among the variables and providing a comprehensive understanding of their interactions over different time horizons.

Table N° 7: Results of the estimation of short-term and long-term coefficients

Long-term estimation coefficients				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
FDIF	1,282151	0,378923	3.383668	0.0028
DINV	0,450279	0,176362	2.553144	0.0185
LNFDIF_DINV	3,375913	0,897458	3.761638	0.0011
LNGEXP	3.249154	1.496203	2.171600	0.0388
C	24,24346	5,241003	4.625729	0.0001
Short-term dynamics				
Variable	**Coefficient**	**Std.Error**	**t-Statistic**	**Prob.**
D(GDPG(-1))	0,595154	0.158681	3.750640	0,0012
D(FDIF)	2,046697	0.360228	5.681665	0,0000
D(LNFDIF_DINV)	6,450407	1.071301	6.021098	0,0000
D(LNGEXP)	0.127949	0.173280	0.738397	0.4666
D(LNGEXP(-1))	2.270090	1.033133	2.197287	0.0368
CointEq(-1)	-2,580946	0.281273	-9.175950	0,0000
R-squared	**0.723774**	**Adjusted R-squared**		**0.704724**

Source: Authors' calculations using Eviews12 software

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

The results reveal several important dynamics. First, the coefficient of the lagged error correction term, CointEq(-1), is -2.580946 with a highly significant p-value of 0.0000. This indicates that the error correction mechanism has a substantial and statistically significant effect, suggesting a relatively rapid adjustment towards equilibrium. The adjusted R-squared of 0.7047 shows that approximately 70.47% of the variance in the dependent variable is explained by the model, indicating a good overall fit. These findings reinforce the robustness of the ECM model for analyzing both short-term and long-term relationships.

Regarding foreign direct investment (FDI), its impact on economic growth appears both significant and positive across the short and long term. In the long run, the coefficient of 1.282 ($p = 0.0028$) suggests that sustained increases in FDI flows contribute meaningfully to growth. In the short term, this effect is even stronger, with a coefficient of 2.047 ($p < 0.0001$), indicating that FDI's influence manifests quickly within the economy. These findings support the hypothesis that FDI acts as a growth driver, not only by injecting capital but also by facilitating technological transfer, skill development, and access to new markets. These results are consistent with empirical studies such as those by Omri & Kahouli (2014) and Lean & Tan (2011), which also find positive effects of FDI on growth in both the short and long term.

In addition, domestic investment's impact on growth is positive and statistically significant, with a coefficient of 0.450 ($p = 0.0185$). This demonstrates that increases in local investment also play a vital role in supporting economic growth. The combined effect of FDI and domestic investment, represented by the interaction term LNFDIF_DINV, is notably strong—valued at 3.376 in the long run ($p = 0.0011$)—indicating that these two types of investment reinforce each other. This synergy suggests that fostering both FDI and internal investment simultaneously amplifies their individual contributions to growth, creating a virtuous cycle where each reinforces the other.

Furthermore, the analysis of public expenditure shows a positive effect on growth in the short term, although it is not statistically significant ($p = 0.4666 > 0.05$). However, in the long run, public spending exhibits a significant positive influence, implying that well-targeted fiscal policies can support economic growth over the medium to long term. This long-term stimulation could be driven by increased investment, consumption, or innovation resulting from strategic public expenditure.

These findings align with Keynesian theory, which emphasizes the crucial role of public expenditure in stimulating aggregate demand, particularly during periods of economic downturn. Keynes argued that increased public spending during recessions can offset declines

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

in private investment and stimulate consumption, thereby fostering economic growth. The short-term effect, while not statistically significant, may reflect this dynamic; however, its weak significance suggests that the immediate impact is somewhat ambiguous or context-dependent. In contrast, the substantial and positive long-term effect indicates that when public investments are sustainable and strategically targeted, they can lead to enduring growth.

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

Conclusion

This study examined the effect of the interplay between foreign direct investment (FDI) and domestic investment on Morocco's economic growth within a global context marked by a significant increase in capital flows, especially through FDI. It aimed to enhance the understanding of the internal systems that facilitate the nation's growth.

The study was based on key economic theories of growth, including classical, neoclassical, endogenous, and Keynesian perspectives. These frameworks helped deepen the understanding of the intricate mechanisms behind economic development and investment.

Methodologically, a quantitative approach was employed, utilizing the ARDL model from 1990 to 2023, to empirically examine the dynamic interactions among the variables.

The findings validate several essential hypotheses regarding foreign investment flows. Foreign direct investment exerts a favorable and substantial impact, both in the short and long term, thereby emphasizing its pivotal role in the growth process. Domestic investment also demonstrates a positive and significant impact, highlighting its critical role in development. The interaction between FDI and domestic investment reveals a strong complementary relationship: their synergy substantially amplifies their positive effects, supporting the concept of a complementarity rather than a substitution in fostering growth.

The results suggest that public investment offers a long-term benefit, although its impact in the short term is not statistically significant.

These findings underscore the importance of enhancing the attractiveness of foreign direct investment (FDI) and promoting domestic investment, particularly through strengthening institutions, improving governance, and developing human capital. Improving the complementarity between FDI and domestic investment through infrastructure upgrades, innovation support, and technological diffusion is essential. Additionally, the efficient management of public expenditure, focusing on sectors with high value-added, remains crucial for encouraging sustainable growth.

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

BIBLIOGRAPHIE

1. Aghasafari, H., Aminizadeh, M., Karbasi, A., & Calisti, R. (2021). CO2 emissions, export and foreign direct investment : Empirical evidence from Middle East and North Africa Region. *The Journal of International Trade & Economic Development*, *30*(7), 1054-1076. https://doi.org/10.1080/09638199.2021.1934087
2. Almalik, R., Shaheen, R., & Ahmed, M. (2024). The impact of foreign direct investment on economic growth : Empirical evidence in G20 countries. *International Journal of Advanced and Applied Sciences*, *11*(10), 90-98. Scopus. https://doi.org/10.21833/ijaas.2024.10.010
3. Azeem, M. M., & Bashir, M. K. (2011). Foreign direct investment, domestic private investment and economic growth : A reference from Pakistan. *World Applied Sciences Journal*, *14*(1), 140-144. Scopus.
4. Belloumi, M., & Alshehry, A. (2016). The Impact of Urbanization on Energy Intensity in Saudi Arabia. *Sustainability*, *8*(4), 375. https://doi.org/10.3390/su8040375
5. Brahim, M., & Rachdi, H. (2014). Foreign Direct Investment, Institutions and Economic Growth : Evidence from the MENA Region. *Journal of Reviews on Global Economics*, *3*, 328-339.
6. El Aissaoui, Z., Dkhissi, A., & Mounia, H. D. A. (2024). The impact of public spending on economic growth in Morocco from 1960 to 2022 : An ARDL bounds approach. *Asian Journal of Economic Modelling*, *12*(3), 203-215. Scopus. https://doi.org/10.55493/5009.v12i3.5168
7. Esmaeili, P., Balsalobre Lorente, D., & Anwar, A. (2023). Revisiting the environmental Kuznetz curve and pollution haven hypothesis in N-11 economies : Fresh evidence from panel quantile regression. *Environmental Research*, *228*, 115844. https://doi.org/10.1016/j.envres.2023.115844
8. Hoa, P. X., Xuan, V. N., Thu, N. T. P., & Huong, L. M. (2024). Nexus of innovation, foreign direct investment, economic growth and renewable energy : New insights from 60 countries. *Energy Reports*, *11*, 1834-1845. https://doi.org/10.1016/j.egyr.2024.01.050
9. Keynes, J. M. (1936). *The general theory of employment, interest and money*. Harcourt, Brace.
10. Lean, H. H., & Tan, B. W. (2011). Linkages between foreign direct investment, domestic investment and economic growth in Malaysia. *Journal of Economic Cooperation and Development*, *32*(4), 75-96. Scopus.

African Scientific Journal
ISSN : 2658-9311
Vol : 03, Numéro 30, Juin 2025

11. Lucas, R. (1990). Why doesn't capital flow from rich to poor countries? American Economic Review, 80(2), 92–96.
12. Magbondé, G. K., & Konté, M. A. (2022). Developing countries' economic fundamentals and FDI inflows : The moderating role of institutions. *Cogent Economics & Finance*, *10*(1), 2028976. https://doi.org/10.1080/23322039.2022.2028976
13. Massaoudi, E. M. E., & Baddih, H. (2024). L'impact des investissements directs étrangers sur la croissance économique au Maroc. *Revue Française d'Economie et de Gestion*, *5*(4), Article 4. https://www.revuefreg.fr/index.php/home/article/view/1586
14. Mohamed, M. R., Singh, K. S. J., & Liew, C.-Y. (2013). Impact of foreign direct investment & domestic investment on economic growth of Malaysia. *Malaysian Journal of Economic Studies*, *50*(1), 21-35. Scopus.
15. Omri, A., & kahouli, B. (2014). The nexus among foreign investment, domestic capital and economic growth : Empirical evidence from the MENA region. *Research in Economics*, *68*(3), 257-263. Scopus. https://doi.org/10.1016/j.rie.2013.11.001
16. Pesaran, M. H., Shin, Y., & Smith, R. J. (2001). Bounds testing approaches to the analysis of level relationships. *Journal of Applied Econometrics*, *16*(3), 289-326. https://doi.org/10.1002/jae.616
17. Romer, P. M. (1995). Comment on N. Mankiw; The growth of nations. Brookings Papers on Economic Activity, 1995(3), 33–320.
18. Smith, A. (1776). *An Inquiry into the Nature and Causes of the Wealth of Nations* [History of Economic Thought Books]. McMaster University Archive for the History of Economic Thought. https://econpapers.repec.org/bookchap/hayhetboo/smith1776.htm
19. Solow, R. M. (1956). A contribution to the theory of economic growth. *Quarterly Journal of Economics, 70*(1), 65–94.
20. Swan, T. W. (1956). Economic growth and capital accumulation. *The Economic Record, 32*(2), 334–361.