

Structural Barriers to Foreign Direct Investment in Iran Using PCA and ARDL Methods

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Abstract

The purpose of this study was to investigate the structural barriers to attracting foreign direct investment in Iran. For this purpose, the Autoregressive Distributed Lag (ARDL) method was used. The time period of this study was based on annual frequency in 1396-1386. The purpose of foreign investment in the country is to promote economic growth and development, increase job opportunities, obtain and develop technology and management skills, improve product quality, and increase the country's export potential. Investment has a multiplier effect, too, in an economy whose potential and capacity are increased through increasing economic growth in the short - term and following increasing the production and profitability of firms, the tendency of businesses to grow and thus increasing the employment resulting from new investments, increasing households' incomes and more consumption. To extract the components used in this study was done using principal component analysis method (pca). The components used in this study included institutional quality and good governance, economic development and human capital, wages, economic liberalization, rate of openness.

Keywords: Foreign Direct Investment, Structural Barriers, Investment Improvement Strategies, Principal Component Analysis (PCA).

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