

Foreign Divestment, Domestic Investment, and Economic Growth Relationship in Southern African Development Community During the COVID-19 Pandemic: Panel Ardl Approach

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Abstract – This study examined the relationship between foreign divestment (FD), domestic investment (DINV), and economic growth (GR) in the Southern African Development Community (SADC) in the context of COVID-19 for the period 2015-2021. Against the backdrop of the global health crisis and using the autoregressive distributed lag (ARDL) method, the study aims to examine the complex relationship between FD, DINV, GR. The study revealed there is a positive long-term relationship between FD and economic growth. In addition, a significant negative long-term relationship was detected between FD and domestic investment. Furthermore, in the short term, this study identified a negative and significant association among FD, DINV, and GR when FD was considered as the dependent variable. The findings demonstrate that FD has a beneficial effect on long-term economic growth, but it has a detrimental impact on domestic investment. This indicates a possible trade-off between attracting foreign capital and promoting domestic investment. Furthermore, the temporary negative correlation between FD, DINV, and GR stressed that immediate economic circumstances can be negatively impacted by changes in foreign investment, thereby disturbing both domestic investment and overall economic performance.

Keywords – Divestment, Sadc, Ardl, Economic growth, Domestic Investment

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1 Introduction

For a considerable period, the Southern African Development Community (SADC) has been considered a desirable region for foreign direct investments (FDI). However, the COVID-19 pandemic has resulted in substantial limitations on operations within industries or economic sectors in SADC and numerous other countries. Consequently, FDIs in SADC have also been impacted by this development. Therefore, it is crucial to note that the corona crisis stemming from the COVID-19 pandemic impacts not only the investor's nation, but also the host country of the FDI. Furthermore, the weakening of the overall investment climate compelled numerous foreign investors to further limit or stop investments in industries that are more vulnerable to the repercussions of the pandemic. Furthermore, the limitations that were forced on businesses prompted several investors to reassess their investment risk assessment. Therefore, foreign divestment represents one of the feasible approaches to mitigate losses in investment companies. As stated by Borga, Flores, and Sztajerowska (2020), foreign divestment generally entails either relinquishing some or all an enterprise's processes or fully transferring the enterprise from its investor.

Foreign divestment commonly manifests itself as a change in business ownership (or co-ownership), with total liquidation being infrequent (Salamaga, 2022). Thus far, research indicates that the probability of foreign divestment typically escalates during global or local economic crises (Nguyen, Larimo, & Ghauri, 2022). Consequently, investigation of foreign divestment during the COVID-19 crisis era is warranted. Therefore, the purpose of the study is to examine the relationship between foreign divestment, domestic investment, and economic growth in SADC amid the COVID-19 pandemic. Furthermore, the article encompasses elements of foreign divestment, domestic investment, and economic growth. Through the application of ARDL analysis, it was possible to measure variables within the Southern African Development Community (SADC). This enabled the computation of the significance levels of the variables that signify the relationship between foreign divestment, domestic investment, and economic growth. Finally, the data for computations was obtained from the World Bank database, accessed in May 2022.

2 Literature Review

Theoretical literature on foreign divestment is largely based on conventional theories of industrial organisation. One such theory, proposed by Dunning (1977), explains the investment decisions of firms and multinational enterprises (MNEs). According to this theory, FDI occurs when a foreign firm has ownership advantage and can compete with other firms in the host economy. Furthermore, Dunning theory suggests that foreign investment is motivated by several factors, such as resource seeking, market seeking, and asset seeking. Building on this theory, Boddewyn (1983, 1985) proposed that divestment of FDI occurs when a foreign firm loses its ownership advantage in the host

country. Specifically, divestment is triggered when the foreign firm is no longer able to compete and generate profits in the host country's economy. This postulation is supported by the theoretical work of Edo and Nnadozie (2023) and Zak (2018), which suggest that foreign divestment decisions are influenced by firm, industry, and country-specific conditions.

On the other hand, institutional theory is a well-known perspective in the international business literature that focuses on the impact of institutional differences on the survival and success of organisations (Nguyen, Larimo, & Ghauri, 2022). Given that multinational corporations (MNCs) inevitably encounter institutional differences when operating in foreign countries, institutional theory has become an essential framework in the international business literature (Nguyen et al. 2022). Salamaga (2022) has highlighted that the factors that pose risks to foreign divestment are also the same factors that determine foreign direct investment. However, the direction of these drivers differs from the direction that increases the likelihood of foreign investment inflows, which ultimately determines the level of foreign divestment risk. Unlike theoretical predictions, the empirical findings of Haug, Nguyen, and Owen (2023) do not support the notion that factors that can lead to increased FDI also hinder the drivers of foreign direct divestment risk in New Zealand.

In recent years, there has been sustainable foreign divestment in African countries, as noted by Edo and Nnadozie (2023). They also argued that the predominant drivers behind this sustainable foreign divestment are macroeconomic performance and institutional quality. These findings contradict neo-classical theory, which emphasises investment return as the primary factor that influences investment. According to Matekenya and Moyo (2023), the decision to divest foreign assets is increasingly influenced by innovation resulting from factors such as competition, technological advancements, geopolitical uncertainty and macroeconomic instability. These factors are expected to continue to drive foreign divestment outflows in the foreseeable future.

In contrast, Khaing (2016) used an ARDL approach to analyse annual data from 1990 to 2013 in Myanmar and discovered a cointegration between real gross domestic product and foreign divestment. The study found that foreign divestment had a detrimental effect on Myanmar's economic growth in both the short and long term. As observed by Djokoto, Gidiglo, Srofenyoh, Agyei-Henaku, Prah, and Arthur (2022), foreign divestment has a significant impact on Ghana's domestic economy, leading to weakened economic growth and increased unemployment. Djokoto et al. (2022) noted that loss of employment, income, foreign exchange and negative effects on agricultural development were among the consequences of foreign divestment in Ghana. Furthermore, Djokoto et al. (2022) contended that foreign divestment results in changes in the business portfolio, ultimately leading to a reduction in the level of assets.

According to Yeboua (2021), the COVID-19 pandemic accelerated the digitalisation of businesses, leading to a direct relationship between technology transfer and foreign divestment. Furthermore, Yeboua (2021) highlighted that the increase in corporate debt levels during the pandemic, which was already a growing concern prior to COVID-19, poses a significant threat. This is because the financial difficulties of parent companies may result in the sale or liquidation of some subsidiaries located in other economies. The combination

of reduced foreign direct investment and increased foreign divestment would impede economic transformation and industrialisation efforts on the African continent (Yeboua, 2021).

In addition, Borga, Flores and Sztajerowska (2020) proposed the notion that an increase in foreign divestment has a substantial impact on the performance of affected subsidiaries. Furthermore, Borga et al. (2020) indicated that such an impact can have far-reaching consequences, including dynamic long-term effects, on the economic performance of the host and home economies in which these subsidiaries are located. Based on their study, Itoh and Konno (2020) reached the conclusion that the primary drivers of foreign divestment are attributed to weak performance in international business operations.

In summary, in their paper, Subramaniam, Loganathan, and Masron (2023) investigated foreign divestment, with food security and political instability as the primary variables. Based on their study Subramaniam, Loganathan, and Masron (2023) found that political instability has a less pronounced impact on foreign divestment in countries with higher levels of food security. Furthermore, the research revealed a significant and negative correlation between foreign divestment, food security, and political instability in Malaysia during the period examined. Furthermore, as a strategy to increase risk and reward, some argue that pursuing bolder investments may be a viable approach that may be applicable to the African context.

3 Methods and Data

The purpose of this study is to investigate the relationship between foreign divestment, domestic investment, and economic growth in 10 African countries within the Southern African Development Community (SADC) over a six-year period (2015-2021), using the World Bank's World Development Index as the only data source. The study deliberately chose these countries, including Angola, Botswana, Democratic Republic of Congo (DRC), Eswatini, Mozambique, Mauritius, Namibia, South Africa, Zambia, and Zimbabwe, and collected annual data on the determinants of foreign divestment for each country. ARDL is employed to analyse the yearly data, which encompassed the period from 2015 to 2021.

Three variables were used in the study, including foreign divestment, economic growth, and domestic investment. The selection of these variables was based on their potential relationship to each other. The data for these variables were obtained from the World Bank's world development indicators. Like the approach taken in empirical studies, such as the one conducted by Edo and Nnadozie (2023), the variables were measured as net foreign direct investment outflows as a percentage of GDP, annual GDP growth percentage, and gross fixed capital formation, respectively.

The focus of this study is to use the autoregressive distributed lags (ARDL) bound testing approach proposed by Pesaran, Shin, and Smith (2001) to test long-term co-integrating relationships among the variables under investigation. When dealing with studies that involve more than one cross-section and time series, a panel ARDL is the preferred estimation technique compared to

the traditional ARDL with a single time series, as stated by Pesaran et al. (2001). Therefore, to determine the cointegrating relationship between the dependent and independent variables, the panel ARDL model will be employed. Additionally, Wehncke et al. (2022) pointed out that for as long as the variables are not integrated at an order of higher than 1 (2), the panel ARDL method has the benefit of accommodating variables with different levels of integration.

In addition, Magwedere, Chisasa and Marozva (2021) note that a panel ARDL is suitable for studies with smaller sample sizes. It is also advantageous as it can simultaneously assess both long-run and short-run parameters and includes the effects of variables in both the long-run and short-run in the model. Furthermore, to determine the optimal lag lengths of the variables, Stata uses the Akaike information criterion (AIC) and Bayesian information criterion (BIC)/Schwarz Bayesian criterion (SBC). Then, by selecting the smallest value between the two criteria, the optimal lag length is determined. As the hypothesis of homogeneity between long-run parameters cannot be assumed, a Hausman test is conducted to identify the most suitable estimator. The test will determine whether the pooled mean group (PMG) or mean group (MG) estimators, or the dynamic fixed effect estimator (DFE) should be used. According to Magwedere et al. (2021), the pooled mean group estimator (PMG) is preferred when the values of N or T are small.

The key distinction between the mean group estimator (MG) and the pooled mean group estimator (PMG) is that the PMG estimator combines the features of the MG estimator, such as averaging the individual equations for each cross-section, to generate consistent estimates (Wehncke et al. 2022). Additionally, Magwedere (2019) noted that the PMG estimator accounts for heterogeneity in error variances, short-run coefficients, intercepts, and speed of adjustment to long-run equilibrium values across countries (N), while assuming homogeneous long-run slope coefficients. The following equation is used to analyse the impacts of foreign divestment in selected SADC countries during the COVID-19 pandemic. Both the autoregressive distributed lag (ARDL) model and the vector error correction model (ECM) were simultaneously employed to capture the speed of adjustment when there is disequilibrium, following the approach proposed by Pesaran, Shin and Smith (1999) and further supported by Magwedere (2019), Magwedere et al. (2021) and Wehncke et al. (2022). The panel ARDL was combined with the vector error correction model (ECM) to capture both the long-term and short-term effects of the variables in the study, as indicated by Magwedere et al. (2021). This approach allows for the estimation of both the cointegrating relationship and the speed of adjustment in case of disequilibrium.

The estimated model takes the form of an ARDL:

$$FD_{it} = \rho \sum_j = 1 \delta_{ij} FD_{i,t-j} + \alpha \sum_j = 0 \beta_{ij} X_{i,t-j} + \mu_i + \varepsilon_{it} \quad (1)$$

where Δ represents the first difference operator, FD represents foreign divestment, DINV represents domestic investment, GR represents economic growth, γ represents the long-term coefficients of the independent variables, δ and β are the short-term coefficients, ε_{it} is the error term, ρ is the adjustment speed to the long-term equilibrium, ECMt1 is the error correction term, and i

and t represent the country and period, respectively. Finally, the appropriate lag order (p, q) is determined using the criteria mentioned above. The lagged and differenced variables in the ARDL model are used to test for both long-run and short-run relationships between the variables, which can identify the cointegrating relationships between them in theory. In conclusion, before model estimation, pre-test diagnostics were conducted in Stata to ensure that all variables were stationary at the first difference, and the optimal lag length was determined using the AIC (Akaike Information Criterion) and SIC (Schwarz Information Criterion).

4 Results

In their 2022 study, Wehncke, Marozva and Makoni stressed that a country facing negative net foreign investment inflows is undergoing foreign divestment, while a country experiencing positive net foreign investment inflows is drawing in new foreign capital. Table 1 below provides a summary of the four primary unit root tests conducted in Stata, namely LLC, IPS, ADF-Fisher chi-square, and PP-Fisher chi-square, with three different deterministic option terms: no trend, intercept and trend, and individual intercept. The summary in Table 1 below indicates that all variables have first-order integration, which means that they are stationary when first differenced. This suggests that the variables are cointegrated since they are not stationary at the same level. In addition, the significant coefficient in the long-term equations further confirms the cointegration of the variables. Additionally, Tables 2 and 3 provide correlations and descriptive statistics for the variables under investigation, with FD representing foreign divestment, DINV representing domestic investment, and GR representing economic growth. Furthermore, the variables exhibit weak correlations, indicating that multicollinearity is not a significant issue. Finally, the cross-sectional dependence of the models was assessed using the Pesaran test. The test results were not significant, indicating that the cross-sections were independent.

On the contrary, Table 3 presents the summary of descriptive statistics, which reveals that the mean for the variable GR (economic growth) is 1.57%. This mean value is comparatively lower than the average GDP growth rate observed in other similar emerging market economies, as exemplified by Borga, Flores, and Sztajerowska (2020). In particular, the lowest recorded GR growth rate indicates a negative growth of 14.60%, coinciding with the global pandemic period of 2019/2020, dominated by the COVID-19 outbreak. On the contrary, the highest GDP growth rate observed amounts to 11.37%, potentially indicating a recovery phase for a country within the sample that experienced a low or negative economic baseline. Furthermore, the standard deviation from the mean in the sample is 4.34, reflecting the degree of dispersion or variability in the GR values.

Table 1: Panel unit root test output summary

Variable	No trend	Intercept and Trend	Individual Intercept	Decision
Panel Unit root test using the LLC				
FD	-9.545***	-10.530***	-8.552***	I (1)
DINV	-6.744***	-71.562***	-6.513***	I (1)
GR	-11.098***	-5.488***	-6.718***	I (1)
Panel unit root tests using IPS				
FD	-	-0.406***	-2.397***	I (1)
DINV	-	-4.992***	-2.073***	I (1)
GR	-	-0.005***	-3.030***	I (1)
Panel unit root testing using ADF to Fisher Chi-square				
FD	85.182***	27.366***	41.777***	I (1)
DINV	72.357***	33.892**	38.958***	I (1)
GR	99.515***	21.708***	48.095***	I (1)
Panel unit root testing using PP - Fisher Chi-square				
FD	101.869***	48.192***	57.161***	I (1)
DINV	76.045***	47.457***	55.904***	I (1)
GR	111.294***	34.360***	67.133***	I (1)

***, **, * indicates that the null hypothesis of unit root tests is rejected at 1%, 5%, and 10%, respectively. All the tests are at first difference (except indicated otherwise). Probabilities for all the tests assume asymptotic normality except for Fisher tests which are computed using the asymptotic Chi-square distribution. FD is foreign divestment, DINV is domestic investment, and GR is economic growth.

Source: Author's own computations

Table 2: Correlation Matrix

Variables	FD	DINV	GR
FD	1,000		
DINV	-0,016***	1,000	
GR	0,086*	0,175	1,0000

***, **, * denote statistical significance at the 1%, 5% and 10% levels, respectively.
 Source: Author's own computations

Table 3: Summary of Descriptive Statistics

Variables	Obs	Skewness	Kurtosis	Jarque-Bera	Prob	Median	Mean	Std. Dev.	Range	Min	Max
FD	70	-0.79	7.13	57.086	0.00	0.21	0.30	0.91	0.40	-3.39	2.99
DINV	70	0.41	2.82	2.055	0.36	18.19	20.27	7.79	37.81	1.00	38.81
GR	70	-1.15	5.22	29.73	0.00	2.37	1.57	4.34	3.21	-14.60	11.37

Notes: Obs= Number of observations; Std. Dev. = Standard deviation. FD is the proxy of foreign divestment, DINV represents domestic investment, and GR is the proxy of economic growth.

Source: Author's own computation

The variable FD had a mean value of 30.2% of the GDP. Yeboua (2021) predicted a further decline in foreign direct investment (FDI) by 25% to 40% in 2020 due to the COVID-19 outbreak. Our study's results confirm Yeboua's (2021) projections, since we also recorded a mean of 30.2% for FD. One of

the sampled African countries had the minimum FD contribution to GDP of -3.39%. This negative value implies a net outflow of capital, indicating that FDI outflows exceeded net inflows for that country. On the contrary, the maximum percentage of FD observed was 2.99%. This maximum percentage may suggest stability for a country within the sample that experienced a low or negative foreign divestment baseline. Furthermore, the standard deviation of the FD values from the sample mean is 0.91, indicating the variability of the FD values around the average.

On the other hand, the DINV variable, which is one of the key independent variables, has a mean value of 20.27%. This means that on average 20.27% of the gross national income of the African countries sampled during the analysis period came from domestic investments. However, this average DINV mean for selected African countries is lower compared to a combined index of similar studies on emerging or developing markets, which reported a comparative mean of 22.31% (see, Djokoto, 2023). The minimum contribution of DINV to the gross national income among the sampled countries is 1.00%, while the maximum is 38.81%.

Significant deviations observed in DINV values can be attributed to the challenging economic and socio-economic conditions experienced by African countries in the sample during the COVID-19 outbreak. The lingering negative impact of the COVID-19 pandemic led to a slowdown in capital expenditures by multinational corporations (MNCs), resulting in the closure of certain production locations or reduced operational capacity (Moosa & Merza, 2022). Furthermore, beyond the direct effect of delayed capital expenditures, the COVID-19 pandemic indirectly affected DINV through lower profits in foreign affiliates, leading to a decrease in reinvested earnings (Moosa & Merza, 2022). The standard deviation for DINV is 7.79, indicating the degree of variability in DINV values from the mean.

On the other hand, the relationship between foreign divestment, domestic investment, and economic growth SADC countries was investigated using dynamic panel data models. Compared to aggregate time series data, dynamic panel data models offer several advantages. They allow for a more detailed analysis of microeconomic dynamics that may be obscured by aggregation biases. Additionally, panel data provide a wider scope to investigate the heterogeneity of adjustment dynamics between different types of country. Moreover, Magwedere et al. (2021) noted that accounting for dynamics in the underlying process may be essential for obtaining consistent estimates of other parameters, even when the coefficients of lagged dependent variables are not of interest. The selection of the optimal lag was based on the Schwarz information criterion (SIC), which had the lowest value.

To determine the appropriate model and whether to accept or reject the null hypothesis, the Hausman test was employed. Based on the results of the Hausman test, the preferred estimation technique for running the ARDL and ECM models on the panel data for African countries was the pooled mean group (PMG). Consequently, our analysis will focus on the output generated by the PMG. In these models, cointegration is established by the statistical significance of the error correction term. The results of the ARDL and ECM models are presented in Table 4, which establishes the long- and short-term

relationships between the dependent variable FD and the independent variables DINV and GR.

The error correction term (ECT) presented in Table 4 shows a coefficient of -0.328. This coefficient suggests that approximately 32.8 percent of the deviation from equilibrium is corrected each year. Therefore, it takes around 3.05 years (1/0.328) for changes in DINV and GR to fully influence FD in the long run, bringing the system back to equilibrium. The long-term equation indicates a statistically significant coefficient of -0.003 for DINV, indicating a negative long-term relationship between FD and DINV. Specifically, a change in DINV leads to a 0.3 percent decrease in GR in the long run. It is important to note that, while foreign divestment seems to contribute to economic growth, it remains significant. Thus, it can be concluded that foreign divestment causes economic growth in the long run. Furthermore, the findings in Table 4 demonstrate that domestic investment and economic growth drive foreign divestment in the short run. This suggests that the relationship between foreign divestment, economic growth, and domestic investment is effective both in the short and long term. The outputs of the ARDL and ECM models, provided in Table 5, establish long- and short-term relationships, as well as the causation analysis between the dependent variable (FD) and the independent variables (DINV and GR).

Table 4: ARDL results, with the dependent variable of FD

	PMG (D. FD)	MG (D. FD)	DFE (D. FD)
Long Run			
DINV	-0.003*** (0.000)	-0.311*** (0.747)	0.066* (0.164)
GR	0.016** (0.000)	1.103 (0.103)	0.013** (0.800)
ECT (-1)	-0.328*** (0.787)	-0.579*** (0.651)	-1.030*** (0.000)
Short Run			
D.DINV	-0.223*** (0.453)	-0.845*** (0.110)	-0.077*** (0.134)
D.GR	0.036** (0.752)	-0.367*** (0.421)	-0.001*** (0.983)
_cons	-0.415*** (0.436)	2.280 (0.129)	-1.150*** (0.234)
N	70	70	70

t statistics in parentheses * $p < 10\%$, ** $p < 5\%$, *** $p < 1\%$
 Source: Author's own computations

The error correction term (ECT) provided in Table 5 reveals a coefficient of -0.120. This coefficient suggests that approximately 12.0 percent of the deviation from equilibrium is corrected each year. Consequently, it takes roughly 8.33 years (1/0.120) for changes in FD and GR to have a complete impact on

DINV in the long run, thus restoring the system to equilibrium. The long-term equation highlights a statistically significant coefficient of -2.601 for GR, indicating a negative long-term relationship between GR and DINV. Specifically, a change in GR results in a 2.60 percent decrease in DINV in the long run. However, although it appears that FD has a positive influence on domestic investment in the long run, this effect is not statistically significant.

Furthermore, the results demonstrate that economic growth significantly leads to a decrease in domestic investment in the short term, indicating a definite causal relationship between domestic investment and economic growth in both the long and short term. Moreover, while foreign divestment negatively impacts domestic investment, it significantly causes changes in DINV. In conclusion, there is significant causation between domestic investment, foreign divestment, and economic growth in the short term, while the long term shows significant causation between economic growth and domestic investment and non-significant causation between domestic investment and foreign divestment.

Table 5: ARDL results, with the dependent variable of DINV

	PMG (D. DINV)	MG (D. DINV)	DFE (D. DINV)
Long Run			
FD	4.408 (0.000)	-24.229*** (0.463)	-4.495*** (0.164)
GR	-2.601*** (0.000)	3.627 (0.314)	0.662 (0.231)
ECT (-1)	-0.120*** (0.349)	-0.206*** (0.903)	-0.374*** (0.024)
Short Run			
D.FD	-0.663*** (0.820)	-20.583*** (0.299)	1.564 (0.007)
D.GR	-0.470*** (0.445)	4.637 (0.167)	-1.120*** (0.348)
_cons	3.190 (0.370)	-3.750*** (0.955)	7.120 (0.034)
N	70	70	70

t statistics in parentheses * $p < 10\%$, ** $p < 5\%$, *** $p < 1\%$
 Source: Author's own computations

The output of the ARDL and ECM model presented in Table 6 establishes the causal analysis between the dependent variable, GR, and the independent variables, FD and DINV, both in the long and short run. The error correction term (ECT) provided in Table 6 displays a coefficient of -0.371, indicating an adjustment of approximately 37.1 percent towards equilibrium each year. Consequently, it takes approximately 2.70 years ($1/0.371$) for changes in DINV and FD to fully impact GR in the long run, thereby restoring the system to equilibrium. The long-run equation is characterised by a non-significant coefficient of 0.678 for FD, suggesting a positive long-run relationship between

GR and FD. Specifically, a change in GR results in a 67.8 percent increase in FD in the long run. Based on the findings in Table 6, we can confidently state that GR positively influences both FD and DINV long-term within the African context. Furthermore, the results indicate that both foreign divestment and domestic investment cause economic growth in Africa in the short term. This implies that the relationship between economic growth, foreign divestment, and domestic investment is effective both in the long and in the short run. Therefore, the causal relationship between these variables is observed as a phenomenon that occurs in both the short and long-term.

Table 6: ARDL results, with the dependent variable of GR

	PMG (D. GR)	MG (D. GR)	DFE (D. GR)
<i>Long Run</i>			
FD	0.678 (0.000)	-18.756*** (0.461)	0.560 (0.476)
DINV	0.156 (0.000)	-2.978*** (0.333)	0.886 (0.587)
ECT (-1)	-0.371*** (0.000)	-1.500*** (0.003)	-0.348*** (0.000)
<i>Short Run</i>			
D.FD	-3.906*** (0.160)	-7.817*** (0.343)	-0.474*** (0.551)
D.DINV	1.975 (0.012)	2.250 (0.275)	0.091** (0.708)
_cons	-3.182*** (0.000)	2.160 (0.265)	-7.950*** (0.860)
N	70	70	70

t statistics in parentheses * $p < 10\%$, ** $p < 5\%$, *** $p < 1\%$

Source: Author's own computations

5 Discussion

The findings of this study provide a detailed perspective on the relationships between foreign divestment (FD), domestic investment (DINV), and economic growth (GR) in countries belonging to the Southern African Development Community (SADC). These findings have implications that support, contradict, and expand on previous research.

Our findings confirm previous studies that have shown the detrimental effect of foreign divestment on domestic investment. More precisely, the persistent negative correlation between FD and DINV supports the conclusions drawn by Wehncke, Marozva and Makoni (2022), who emphasised the detrimental impact of foreign divestment on the availability of local capital. Furthermore, the observed detrimental effect of growth rate (GR) on domestic investment (DINV) in the short-term is consistent with the findings of Moosa and Merza (2022), who found that economic downturns and decreases in capital

expenditure during the COVID-19 pandemic had a negative influence on domestic investments.

Our findings contradict previous studies by showing that there is no significant positive correlation between economic growth (GR) and foreign divestment (FD) in the long term. This contradicts the findings of Yeboua (2021), who expected a stronger link between FD and economic growth during the pandemic. Unlike the expectations presented by Borga, Flores, and Sztajerowska (2020), who argued that a substantial increase in foreign capital inflows would have a favourable impact on domestic investment, the absence of a significant long-term effect of FD on DINV contradicts their hypothesis.

However, this work expands on previous research by conducting a thorough examination of the short and long-term relationships between these variables using an ARDL panel technique. The discovery that about 37.1% of variations in GR are annually adjusted by changes in FD and DINV, and vice versa, introduces a new perspective to comprehending the equilibrium adjustment processes in emerging economies. This is consistent with the findings of Magwedere et al. (2021), who highlighted the significance of considering dynamic adjustments to achieve reliable parameter estimates. This approach provides a more comprehensive understanding of causal relationships within African economies.

The study's findings indicate that continuous economic expansion in SADC countries can facilitate the attraction of both international and domestic investments. Future studies should focus on investigating the country-specific factors that impact these relationships and examining the microeconomic mechanisms through which foreign direct investment (FDI) and domestic investment (DINV) influence economic growth (GR). Furthermore, the results emphasise the need for more detailed data to gain a deeper understanding of the subtle effects of foreign divestment and domestic investment on economic growth in different situations.

This study improves the current understanding of investment patterns in developing economies by combining these findings with existing literature. The study further provides significant insights for policy makers and scholars focused on promoting economic growth in SADC countries.

6 Conclusion

This study examined the relationship between foreign divestment (FD), domestic investment (DINV), and economic growth in 10 Southern African Development Community countries from 2015 to 2021 using the panel autoregressive distributed lag (ARDL) approach. The study found that while FD positively affects economic growth in the long term, it negatively impacts domestic investment. Short-term analyses revealed that both FD and DINV have a detrimental effect on economic growth, suggesting that economic conditions and investment dynamics are complex and interrelated. The study underscores the importance of promoting domestic investment to counteract the negative effects of foreign divestment on economic growth. In addition, the

study highlights that sustained economic growth is crucial for attracting both foreign and domestic investments, which in turn stimulates further economic growth. The findings suggest that SADC countries should align their investment policies with national growth strategies and further research is needed to explore the specific mechanisms through which FD and DINV impact economic activity. This could provide deeper insights for policymakers to enhance investment climates and economic development.

The study's shortcomings arise from its use of aggregate data from 10 SADC countries, which may mask unique nuances and variances in investment and development dynamics within each country. Furthermore, the research is conducted over a relatively short period, which restricts the ability to see long-term patterns and the complete influence of the COVID-19 epidemic on investment and economic expansion. More research is needed to examine the microeconomic determinants and country-specific circumstances that impact the connections between overseas divestment, local investment, and economic growth. This research could involve analysing a wider time frame and more detailed data. Further examination of the ways in which foreign divestment and local investment interact with economic growth could provide more profound insights, as indicated by theoretical implications. Practically, authorities in SADC countries should prioritise the establishment of a stable economic climate to attract both foreign and domestic investment. They should also implement policies that encourage domestic investment and efficiently handle the consequences of foreign divestment. Practitioners should consider the following recommendations: (1) formulate specific plans to attract and maintain domestic investment; (2) enforce policies that establish a favourable environment for investment to counteract the adverse consequences of foreign divestment; (3) periodically assess and modify investment policies to align with changing economic conditions and growth goals.

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