Examining the Impact of Institutional Quality and Exchange Rate Volatility on FDI Inflows and Economic Growth in Somalia: A Systematic Literature Review Analysis Under Prisma Guidelines

Abdisamad Mohamed Farah[1]

[1]Kampala International University Department of Economics and Applied Statistics

Publication Date: 2025/11/14

Abstract: This study explores the complex effects of institutional quality and exchange rate volatility on foreign direct investment inflows into Somalia. Following the PRISMA guidelines, a systematic literature review (SLR) was carried out using the SCOPUS database. The research focused on peer-reviewed publications from 2010 to 2024, resulting in the selection of 35 studies. The review shows that exchange rate volatility significantly harms foreign direct investment in Somalia; for instance, a 1% increase in exchange rate volatility leads to a 0.11% decrease in foreign direct investment over the long term, with a disequilibrium adjustment rate of 68.9%. Conversely, the review also indicates that the quality of public sector institutions, especially economic institutions, is a key factor in attracting FDI and promoting economic growth in Somalia. This study recommends a comprehensive and multifaceted approach that combines exchange rate stability with improvements in institutional quality to better attract foreign investors. Despite its contributions, this research emphasizes the need for further studies beyond SCOPUS-indexed articles, as while these sources offer valuable insights, they may not fully capture the empirical relationship between the variables studied.

Keywords: *Foreign Direct Investment, Exchange Rate Stability, Institutional Quality.*

How to Cite: Abdisamad Mohamed Farah (2025) Examining the Impact of Institutional Quality and Exchange Rate Volatility on FDI Inflows and Economic Growth in Somalia: A Systematic Literature Review Analysis Under Prisma Guidelines. *International Journal of Innovative Science and Research Technology*, 10(10), 3197-3211. https://doi.org/10.38124/ijisrt/25oct1332

I. INTRODUCTION

Foreign Direct Investment (FDI) plays a vital role in promoting economic development in emerging economies by boosting capital accumulation, technology transfer, employment creation, and integration into global markets (Nosova, 2023). FDI is essential for economic growth, helping countries access capital, technology, managerial expertise, infrastructure development, and job opportunities, which are crucial for overcoming structural challenges and achieving sustainable development (Chen et al., 2025).

However, recently, the distribution of foreign direct investment (FDI) across Africa has significantly decreased. In North Africa, flows to Morocco have fallen by 6% to $2.1 billion. FDI flows to Senegal remained steady at $2.6 billion, while FDI to Nigeria in West Africa turned negative to -$187 million due to stock divestitures. Ghana's foreign direct investment dropped by 39% to $1.5 billion. Although FDI flows to Ethiopia in East Africa declined by 14% to $3.7 billion, FDI in the Democratic Republic of the Congo stayed stable at $1.8 billion, driven by investments in mining and offshore oil resources. After a notable surge in 2021 caused by a major business reorganization, flows in Southern Africa returned to the five-year average of 2015-2019 (World Investment Report, 2023).

The nature of macroeconomic factors that can boost FDI inflows in Africa has been recognized in various empirical studies across different regions (Moussavou, F, 2022). To enhance the low levels of FDI inflow in Africa, it is argued that critical areas like investment incentives, such as tax exemptions, streamlined administrative processes, infrastructure quality, and institutional quality, collectively create a conducive environment for foreign investors and reduce financial and operational barriers. Similarly, robust infrastructure encompassing transportation networks, utilities, and logistics lowers operational costs and enhances

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25oct1332

market connectivity, significantly influencing investor decisions (Kwablah & Amoah, 2022).

However, the ability to attract FDI varies significantly across regions, with Sub-Saharan Africa (SSA) facing unique challenges in this regard. In Sub-Saharan Africa (SSA), FDI plays a critical role in economic development (Kwablah & Amoah,2022). But the region continues to lag behind other developing regions in attracting investment. According to UNCTAD (2023), FDI inflows to Sub-Saharan Africa (SSA) reached $45 billion in 2022. However, this remains significantly lower compared to other regions, such as Latin America, which received $208 billion in the same year. Despite this, FDI remains a vital source of capital for SSA, particularly for infrastructure development, job creation, and technology transfer (Dia & Ondoa, 2023). However, the distribution of FDI within the region is highly uneven (Okafor et al., 2015), with countries like Nigeria, South Africa, and Kenya attracting the majority of investments, while fragile states like Somalia receive minimal inflows (Ibrahim et al., 2017). For instance, Somalia's FDI inflows accounted for only 1.1% of its GDP in 2022, compared to the SSA average of 2.3% (World Bank, 2024). This disparity highlights the challenges faced by fragile states in attracting investment, particularly in the face of political instability, weak institutions, and environmental vulnerabilities (Chen et al., 2025).

In Somalia, despite prolonged instability, the country has experienced a gradual resurgence of FDI, particularly from the Somali diaspora and neighboring regions (UNCTAD, 2019). According to World Bank (2014) estimates, US$1.3 billion or 24% of GDP came into Somalia from the global Somali diaspora. Additionally, diaspora capital makes a significant contribution to the commercial sector, and remittances mostly cover monthly home expenses and provide resources to close family; it also frequently contributes funds for micro-startups (Asamoah et al., 2019). A stable economy and a favorable business environment would provide assurances for those who wish to return. Moreover, from 2015 to 2017, the Somali diaspora sent home about US$1.3 billion annually in formal remittances; however, unreported flows may be far larger (Mohammed, 2020).

Furthermore, the patterns shown in Figure 01 illustrate the inflows of foreign direct investment into Somalia between 2010 and 2021. Remarkably, FDI inflows have increased significantly since 2012, demonstrating a notable improvement in the nation's appeal to FDI. This results from the conclusion of the civil war, the transitional government's demise, and the establishment of a new, legitimate federal government. Somalia got 455.8 million USD in foreign direct investment in 2021, which was 8.5 million USD less than the previous year. The global economic crisis that followed the epidemic could be the cause of this reduction. According to the federal Ministry of Planning and Economic Development, the ratio of foreign direct investment to GDP is approximately 9%.

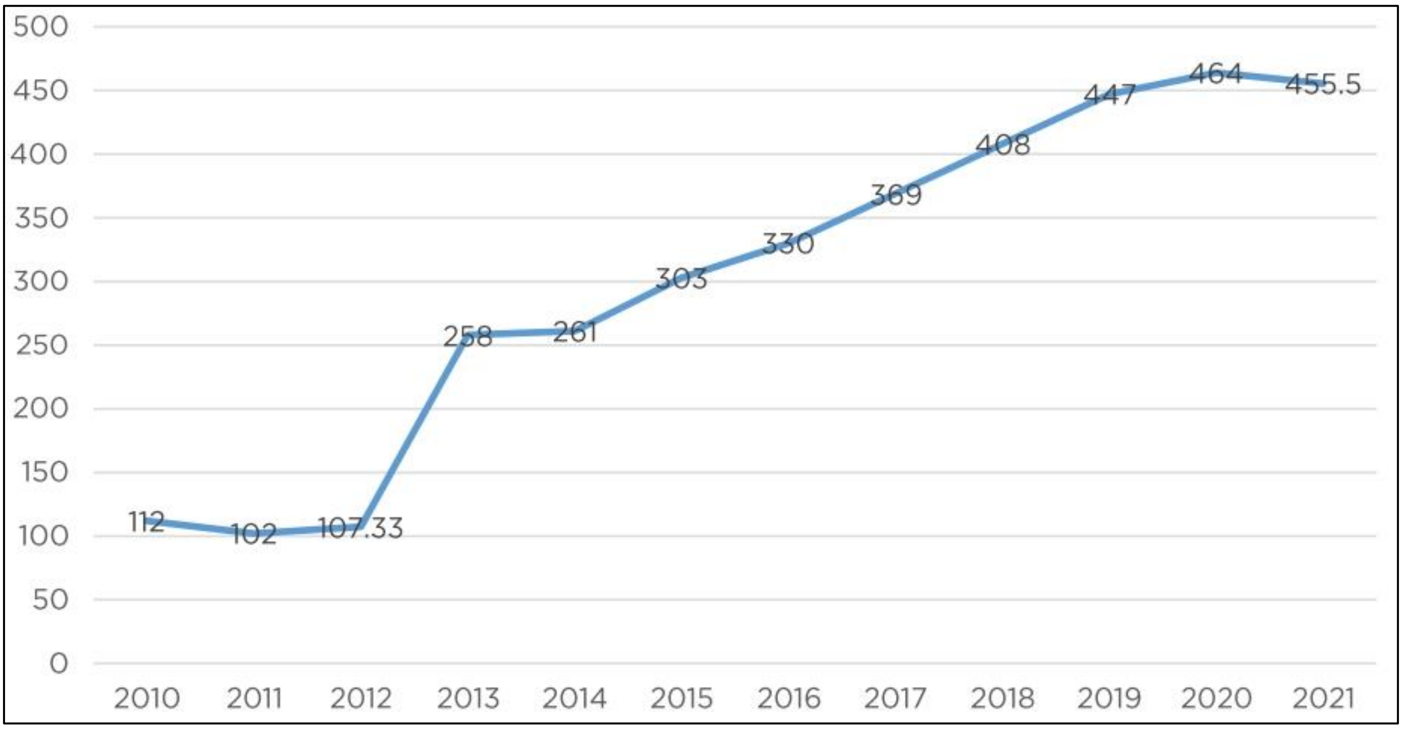

Fig 1 Foreign Direct Investment, Inward Flows (Current Prices in Millions USD)
Source: WDI, World Bank, 2023

Despite Somalia's strategic location and resource potential, FDI inflows accounted for only 1.1% of GDP in 2022, significantly below the Sub-Saharan-African average, reflecting persistent investor hesitation, and the overall trend remains erratic, with limited empirical exploration of its underlying causes (World Bank, 2024). Traditional FDI research primarily emphasizes economic indicators such as GDP growth, inflation, and market size (Omar & Ibrahim, 2021). However, emerging studies argue that climate variables such as temperature increases, CO2 emissions, erratic rainfall, together with technical challenges like institutional quality and economic factors like exchange rate volatilities, can significantly affect investment decisions, particularly in agriculture-dependent economies (Mohamud & Mohamud, 2023; Ssali et al., 2019).

Somalia National Bureau of Statistics (SNBS) noted that the average net inflow of foreign direct investment (FDI) as a percentage of GDP in Somalia during the period 2004-2023 was 3.8%, with a coefficient of variation of 47%. The net FDI inflow transitioned from a negative rate in 2004 to a positive rate in 2005, with subsequent increases in net inflows before declining in 2008 due to the global financial crisis. FDI net inflows recovered in 2009 and 2010, then declined in 2011 and 2012 due to terrorist attacks on the World Trade Center. FDI net inflows increased significantly since 2015, driven by Somalia's Foreign Investment Law and its accompanying incentives, resulting in an average net FDI inflow rate of 5.2% of GDP during the period 2015-2023 (SNBS 2024). These results show that global events and the investment environment in Somalia both shape FDI inflows. Notably, consecutive droughts over the last four years of the analysis did not influence FDI in Somalia, since most foreign investments focus on infrastructure. The estimated average compound annual growth rate of net FDI inflows as a percentage of GDP was 4% during the period (2004-2023). Figure 02 below illustrates the developments in net FDI inflows in Somalia over two decades.

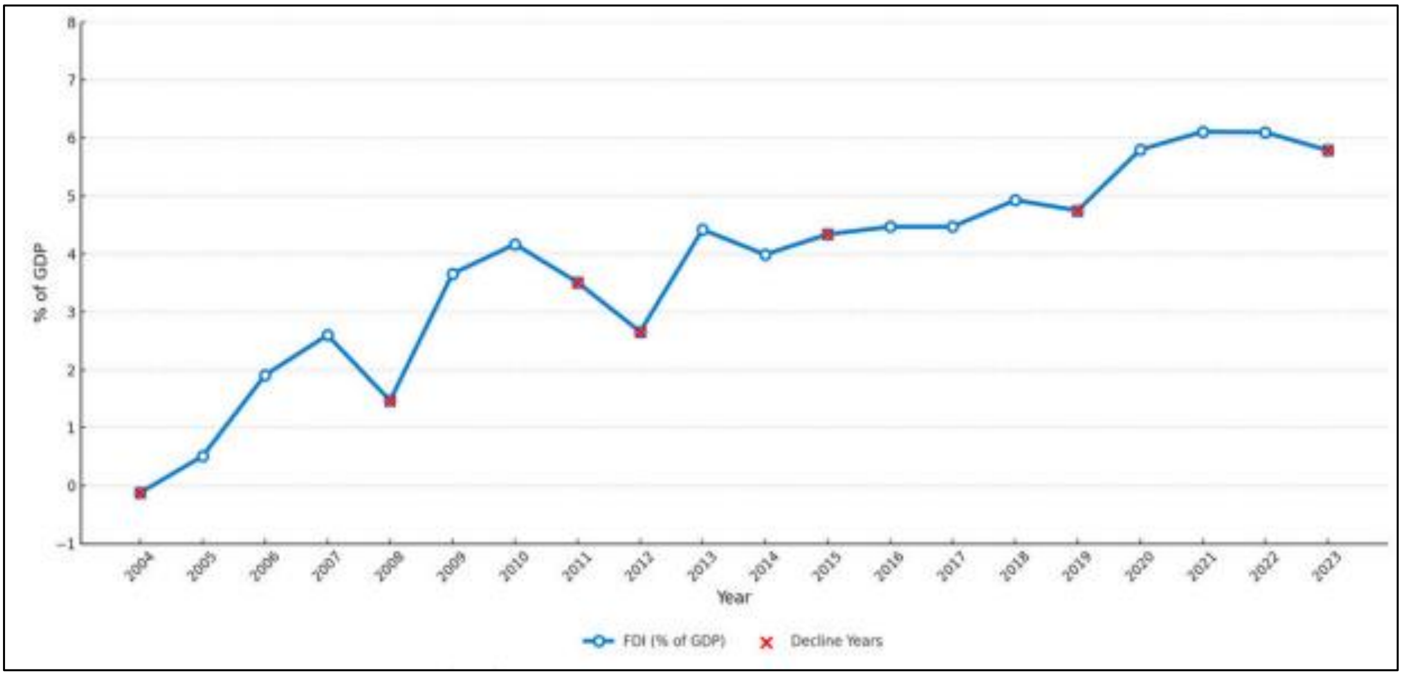

Fig 2 Foreign Direct Investment, Net Inflows (% of GDP), 2004-2023
Source: Based on Data from the OIC and World Bank (2024)

There are still disagreements and fragmentations in the scholarly discussion of how exchange rate volatility and institutional quality affect FDI inflows. There is a significant gap in the literature, as seen by the differences in viewpoints and conclusions among academics and scholars. Therefore, to guarantee a thorough and organized overview of previous research, this study will use a systematic literature review process. The evaluation process will entail looking through scholarly databases, especially SCOPUS, to find excellent, peer-reviewed research that was published in the last fourteen years, from 2010 to 2024. To safeguard thoroughness and accuracy, studies will be chosen based on relevance, methodological quality, and under Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines. Studies such as (Asongu & Odhiambo, 2020; Mohanty et al., 2024) highlight the need for advanced methodologies to capture the complexity of FDI determinants. By incorporating a moderation framework, this research aligns with recent empirical advancements while addressing Somalia's unique economic and environmental conditions. This reconciliation ensures that the study's contributions align with prior research while addressing previously overlooked aspects of FDI determinants in Somalia.

➤ *Review Objectives*

The study was guided by the following research questions.

- What is the impact of exchange rate volatility on attracting foreign direct investment in Somalia?
- What is the impact of institutional quality on attracting foreign direct investment in Somalia?
- What are the most effective strategies for enhancing exchange rate stability in Somalia?
- What are the most effective strategies for enhancing institutional quality in Somalia?

II. METHODOLOGY

➢ *Research Design*

The SCOPUS database was chosen for its dependability and high-caliber publications, and a systematic literature review (SLR) design was implemented using the PRISMA guidelines. Following the quality assessment, 35 articles met the inclusion criteria and were incorporated into the study. And by conducting Kitchenham quality assessment test, 38 articles were excluded as they did not meet the required quality assessment standards.

➢ *Systematic Review Procedure*

In accordance with the methodologies described by Moher et al. (2009) and Pickering and Byrne (2014), this study used a five-step systematic review procedure.

- Establishing Goals and Research Questions: Determining the goal of the review and the main research questions
- Formulating search parameters: determining databases, search phrases, and inclusion standards for the selection of literature.
- Performing searches entails running database queries, evaluating the results, and improving choices according to standards.
- Examining the literature entails determining the caliber and applicability of certain studies and compiling their results in tabular form.
- Integrating findings and identifying research needs for further investigation constitute the results' synthesis.

➢ *Selection Criteria and Assessing Literature Quality and Relevance*

In order to find studies on the effects of institutional quality and exchange rate volatility on foreign direct investment inflow into Somalia, the study used a systematic literature review strategy. After 73 publications were found in the first search, 35 peer-reviewed papers were chosen using the following inclusion and exclusion criteria after a multi-stage refinement process.

Table 1 Inclusion and Exclusion Criteria

Criterion	Inclusion criteria	Exclusion criteria
Topic significance	Studies addressing exchange rate instability and the institutional quality	Studies irrelevant to these topics
Publication category	Peer-reviewed journal articles and review papers	Non-peer-reviewed articles
Language of the article	Must be written in the English language	Publications in other languages
Publication period	Articles published from 2010 to 2024	Articles published before 2010
Quality standards & values	Articles with a quality assessment score higher than the minimum	Articles below the quality assessment threshold

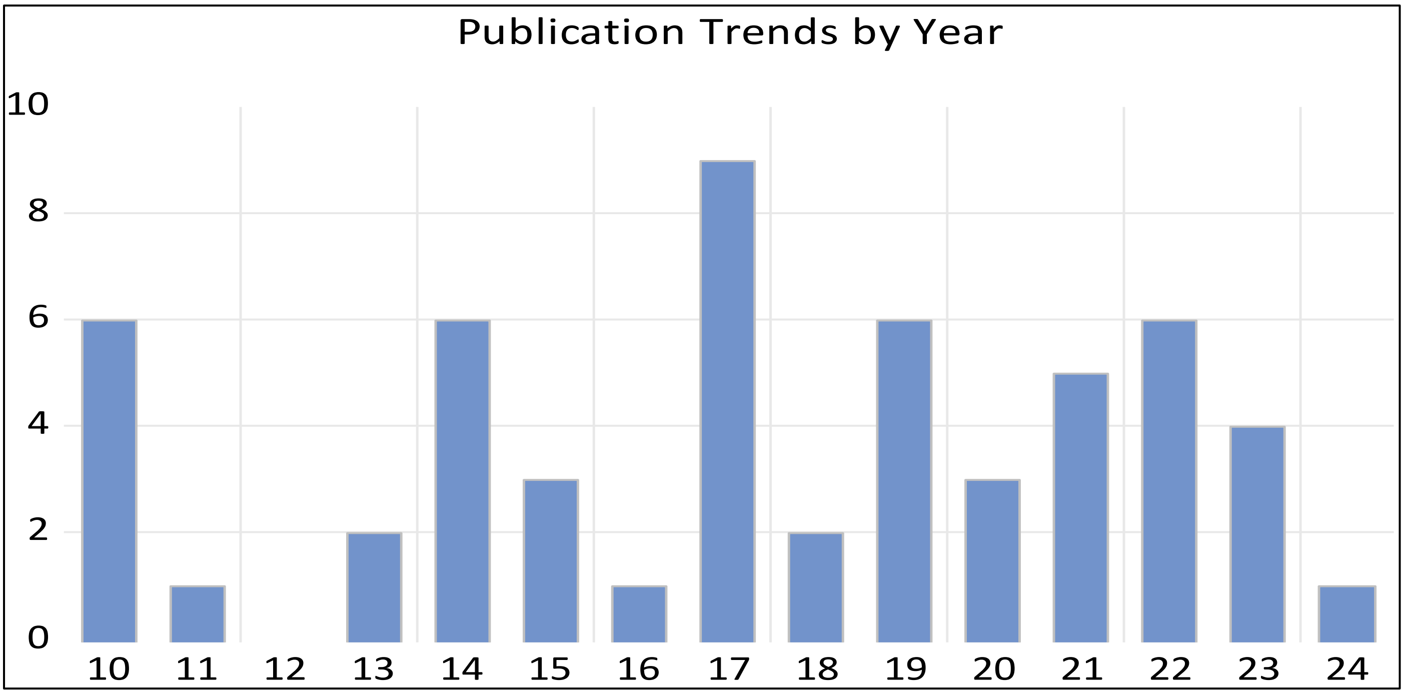

Fig 3 Publication Trends by Year

In Figure 03, there is an increasing trend in the number of research publications concerning exchange rate stability and institutional quality in Somalia (2010-2024). Policymakers in the public sector domain are in dire need of research findings on exchange rate stability in Somalia to suggest a clear path forward, develop sustainable trade policies that enhance the trade balance, increase the trade-to-GDP ratio, and attract more FDI. The findings of these

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25oct1332

publications can help stabilize the exchange rate, which is vital for economic stability and growth. On the other hand, publications on institutional quality in Somalia were gaining momentum over the last decade since the country was recovering from a serious civil unrest and state fragmentation. It became crucial to enrich Somalia's literature on institutional quality as the nation builds state legitimacy, reduces institutional fragmentation, and strengthens institutions for improved service delivery. The National Development Plan 2017-19 (NDP) was finalized in early 2017, and after several economic policy reforms and initial capacity-building programs in key ministries and institutions were implemented, progress was made in re-engaging with international financial institutions. These factors made 2017 the leading year.

➢ *PRISMA Flow Diagram for Study Selection Process*

Enhancing the transparency and rationality of systematic reviews and meta-analyses is the goal of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guideline. Rules intended to ensure that systematic reviews and meta-analyses are reported with greater quality, Openness and thoroughness in the reporting of research.

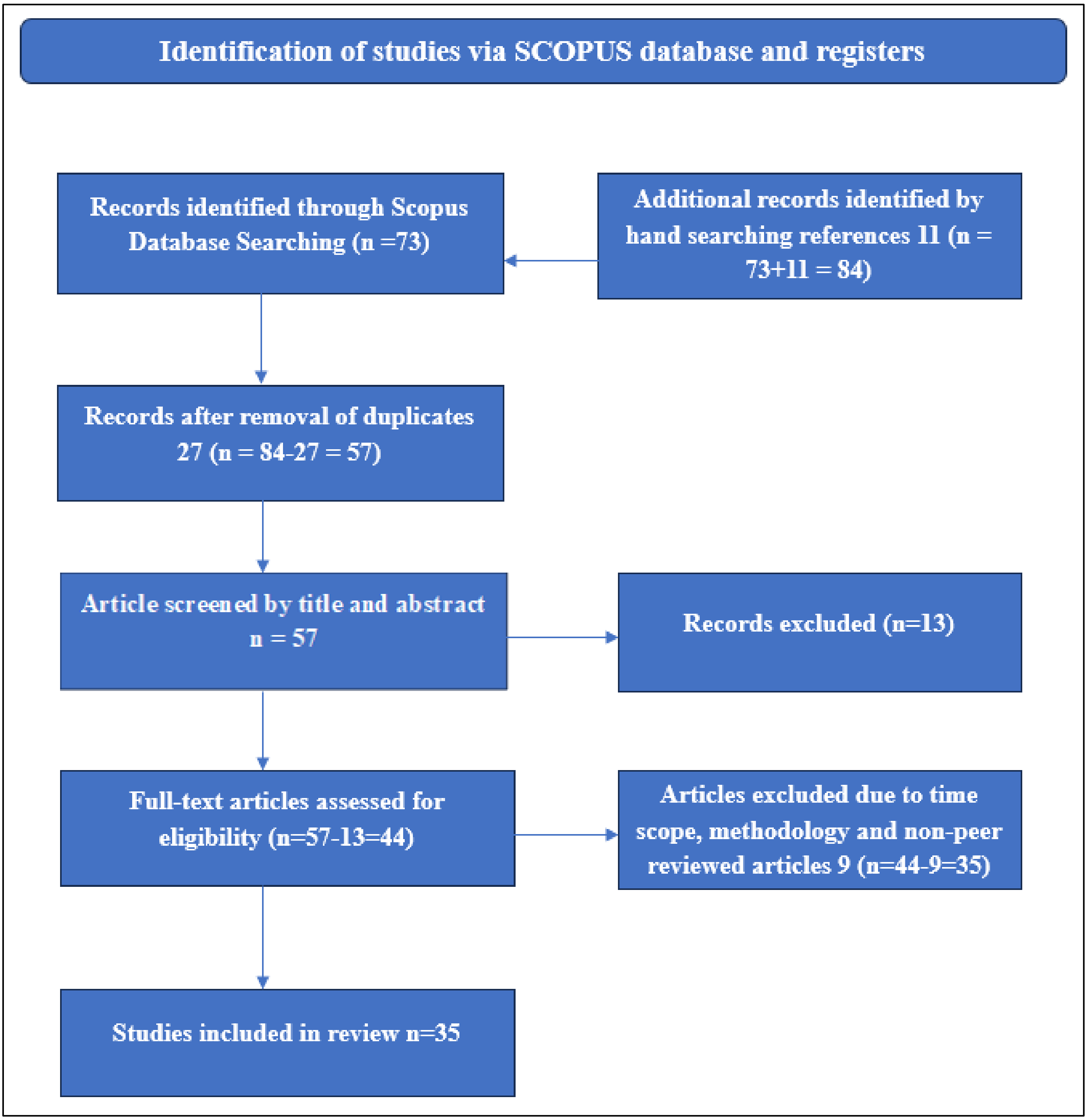

Fig 4 PRISMA Flow Diagram for Study Selection Process

III. THEMATIC ANALYSIS

➢ *The Impact of Exchange Rate Volatility on Foreign Direct Investment Inflow & Economic Growth in Somalia*

The risks connected with unforeseen fluctuations in the currency rate are known as exchange rate volatility (Zozturk, 2006). Because it offers a clear and accurate concept, this term is used to describe exchange rate volatility. Economic basics, including interest rates and inflation rates, and exchange rate volatility, are caused by the balance of payments, which has grown more erratic in the 1980s and early 1990s.

The high public debt to GDP ratio, low foreign exchange reserves, undeveloped financial and capital markets, strong dollarization, and the dominance of mobile money in payments are some of the obstacles the Central Bank of Somalia must overcome to establish future monetary and exchange rate policies (State of the economy report, 2023). Because it has a significant impact on the population's standard of living, the exchange rate is equally significant. When practically everything is imported in a small open economy like Somalia, a declining currency increases the domestic prices of imported goods, which lowers money's purchasing power and ultimately erodes people's actual income, particularly that of the poor (Malin, 2016).

Between 2018 and 2019, Somalia's inflation rate remained comparatively steady, ranging between 4.28 and 4.70 percent, which is regarded as modest. As a result of lower demand during the pandemic-related economic crisis, the inflation rate in 2020 dropped to 4.11 percent. But it increased to 4.63% in 2021, possibly as a result of supply chain interruptions and rising demand as the economy started to rebound. Due to increased prices and economic pressures, such as supply chain problems and growing product costs, the inflation rate spiked to 6.78 percent in 2022. Despite a minor decline to 6.17 percent in 2023, it is still high when compared to previous years, indicating ongoing inflationary pressure (SNBS, 2024). The AfDB also projects that decreased supply chain bottlenecks, better domestic agricultural conditions, and declining global food prices will cause inflation to decline to 4.8% in 2024. It is anticipated that lower inflation will boost household purchasing power. (AfDB; African Economic Outlook 2024).

Nevertheless, as Figure 05 below indicates, the first quarter economic report 2025 is showing that the Somali shilling (SOS) has broadly maintained relative stability with a depreciation trend against the US dollar in the first quarter of 2025. During the first quarter of 2025, the Somali shilling depreciated by 1 percent, with the average rate of SOS28,936.64 per US dollar in 2025Q1 from a 3.7 percent depreciation in 2024Q4. During the first quarter of 2025, the shilling fluctuated against the US dollar, reaching SOS29,023.46, SOS28,824.79, and SOS28,961.67 in January, February, and March, respectively.

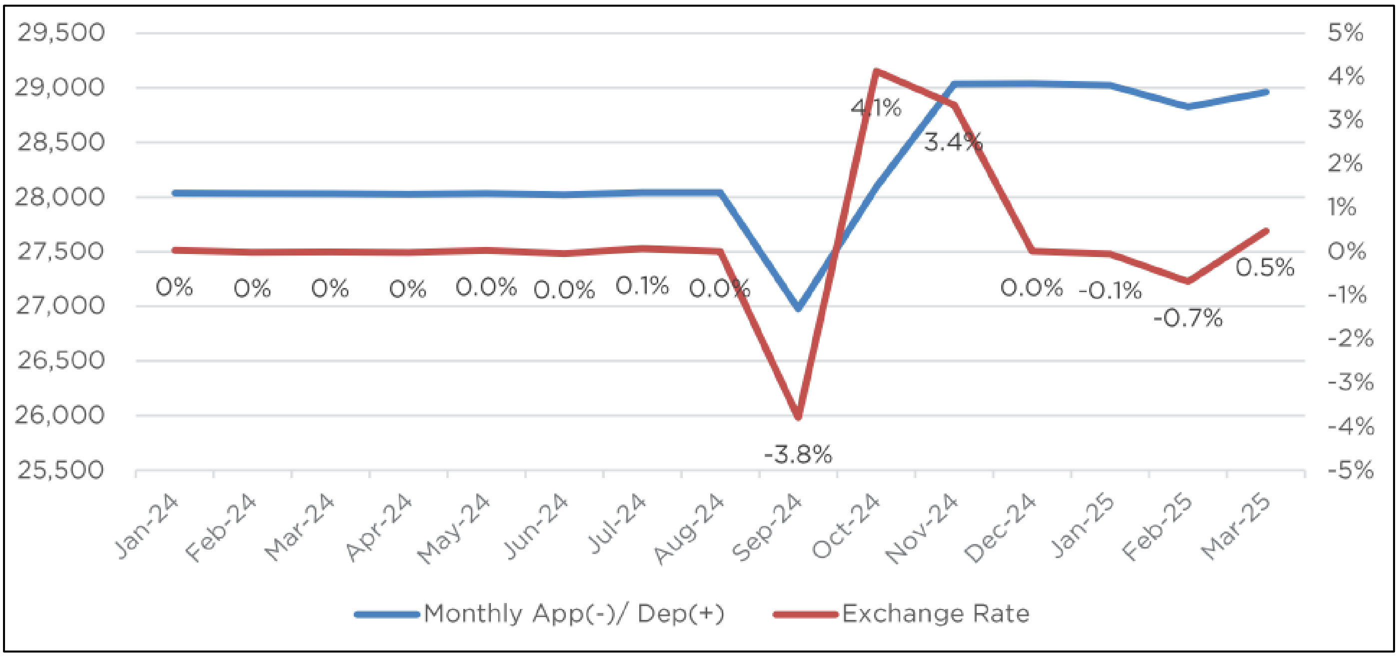

Fig 5 Monthly Exchange Rate USD/SOS (Appreciation and Depreciation) 2024-2025
Source: Central Bank of Somalia, 2025

In addition to that, Somalia Economic Outlook in its annual report published in May 2025 found that changes in the exchange rate of the Somali shilling Vis-à-vis the dollar respond more to changes in the trade balance deficit compared to net FDI inflows as a percentage of GDP. These two variables explain about 82% of the changes in the exchange rate. The trade balance deficit causes further deterioration in the value of the national currency, while foreign investment inflows into the country improve the value of the national currency. Specifically, a 1% increase in the trade balance deficit leads to a 0.47% deterioration in the exchange rate, while a 1% increase in net FDI inflows leads to a 0.26% improvement in the national currency's exchange rate. The coefficient (elasticity) of the trade balance deficit is

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25oct1332

statistically significant at 1%, while the coefficient of net FDI inflows is statistically significant at 10%.

Mohamed et al. (2025) examined the determinants of Foreign Direct Investment (FDI) in Somalia, focusing on key economic and environmental variables such as GDP growth, exchange rate, population growth, urbanization, rainfall, and temperature, using a time-series dataset spanning recent decades. The analysis employed an ARDL (Autoregressive Distributed Lag) model to investigate both short- and long-term relationships. The findings confirm the existence of a long-term equilibrium relationship among the variables, underscoring the critical role of economic and environmental factors in shaping FDI inflows into Somalia. GDP growth demonstrates a positive long-term impact on FDI, reinforcing the importance of sustained economic performance in fostering investor confidence and attracting foreign capital. Conversely, inflation and exchange rate instability negatively influence FDI, highlighting the necessity of macroeconomic stability to create a favorable investment climate. Population growth emerges as a significant positive determinant of FDI, reflecting Somalia's demographic potential as a growing market and expanding labor force.

Mohamed & Bekir (2022) examined empirically how inflation and exchange rates affected Somalia's economic growth. The well-documented exchange rate changes in Somalia made it necessary to look into the effects that these fluctuations have on the economic performance of the nation. Secondary data from the World Bank, the International Monetary Fund, and the Central Bank of Somalia were used in this analysis. The data's range included the years 2005-2020. This study used multiple regression analysis using ordinary least squares (OLS) correlation. The results indicate that there is a weak positive correlation between GDP growth and the exchange rate, with low statistical significance (r =.184; p =.496). This suggests that 1.84 percent of GDP is affected by changes in the exchange rate. Furthermore, the findings show a weak positive association (r =.205; p =.447) between the inflation rate and economic growth that is not statistically significant.

- *The Impact of Institutional Quality on Foreign Direct Investment Inflow: Economic Growth in Somalia*

In order to encourage foreign direct investment and overall economic growth, a nation's institutional quality is crucial. The empirical literature has demonstrated a number of institutional elements, including democracy, the rule of law, and the efficiency of government, that are critical in determining economic growth. Using panel data, Olson et al. (1998) found that institutional characteristics significantly affect total factor productivity and that more productive nations have robust institutions. According to Acemoglu et al. (2005), institutional quality has a greater influence on long-term economic growth than it does on short-term growth. According to Lau et al. (2014), Malaysia's economic growth is positively impacted by institutional quality. Likewise, Şaşmaz and Sağdiç (2020) and Nawaz (2015) found a favorable relationship between institutions and economic growth. In Bangladesh, Islam and Shindaini (2022) discovered a comparable outcome. Using the ARDL bound test, Ashraf (2023) recently demonstrated that political stability as a proxy of institutional quality is crucial for boosting Pakistan's economic growth. Ashraf (2022) evaluated the effect of political instability on economic complexity in cross-national research of nations involved in the Belt and Road Initiative. Political instability as a proxy of institutional quality has been found to impede economic complexity in the nations that were studied.

Ahmed et al (2021), using World Bank data, explored long-term cointegration among the variables modeled using cointegration techniques to explain the role of financial development and institutional quality in economic growth in South Asian economies from 2000 to 2018. By using cointegration techniques of Westerlund, Kao, and Pedroni, the long-term relationship between financial changes, institutional quality, and economic growth was revealed. Additionally, the study used dynamic ordinary least squares (DOLS) and completely modified ordinary least squares (FMOLS) to investigate how financial development and institutional quality affect long-term economic growth. Our results show that financial development and institutional quality are key elements in fostering long-term economic success.

According to the endogenous growth theory, the technology transfer and knowledge spillover effects of foreign direct investment (FDI) can be converted into increased productivity and, ultimately, economic growth. Furthermore, by easing the liquidity constraint, FDI enhances domestic investment and boosts economic growth. Jude & Levieuge (2015) examine empirical research on how foreign direct investment (FDI) affects economic growth and note that the conflicting results depend on the caliber of the institutions. Their study also contends that low institutional quality reduces the spillover effect by increasing transaction costs, raising the risk of long-term commitment, and weakening the ties between domestic and overseas affiliates. Furthermore, it is suggested that improved institutional quality can counteract the crowding-out impact of foreign direct investment (FDI) by promoting foreign investment into innovative industries and reducing competition with domestic enterprises. This will further boost the growth benefit of FDI. Accordingly, we propose that nations with comparatively high institutional quality will experience a greater favorable impact of FDI on economic growth.

Louis et al. (2015) examined how institutions affect economic development in Africa because earlier research produced conflicting findings, with some focusing more on the influence of geography than the impact of institutions. According to the study, institutions are a significant element, but geographical locations have little bearing on the disparities in development. Economic institutions that defend property rights are a key factor in the expansion of the Economic Community of West African States (ECOWAS) subregion (Wanjuu and Le Roux, 2017). According to other research, one of the key factors influencing Africa's progress is the caliber of its institutions (Ojapinwa 2017; Kebede and Takyi 2017; Amin 2013; Kilishi et al. 2013; Kandil 2009). Kandil (2009) found conflicting data about the importance of

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25oct1332

institutional quality across 16 MENA nations. The study found that while institutional quality has a detrimental impact on private lending and private investment, certain indicators of institutional quality boost economic growth.

The size, scope, scale, quantity, and quality of FDI projects are all strongly impacted by institutional quality, which in turn affects how well FDI propels economic expansion (Ojapinwa, 2017). A nation having robust institutions, such as a good legal system, efficient law enforcement, and good governance, and low levels of corruption, fosters an atmosphere of equitable and competitive investment safeguarded by market laws, lowers "hidden costs," draws in more investors, and boosts foreign direct investment (FDI) Miao et al., 2020). Furthermore, it gives the host nation the option to choose high-tech FDI inflows that have the potential to accelerate growth and have more beneficial spillover effects. On the other hand, a nation with weak institutions frequently attracts low-tech FDI with low productivity, primarily exploiting local resources and posing a high risk of environmental pollution, or it raises hidden costs and increases investor risks, which results in a decrease in investor appeal (Mabey & McNally, 1999).

Numerous empirical studies have shown that one of the key elements influencing how well foreign direct investment (FDI) contributes to economic growth is institutional quality (Alguacil et al., 2011; Tun et al., 2014; Adeleke, 2014; Miao et al., 2020; Van Bon, 2019; Ho et al., 2024). Jude and Levieuge (2016) stressed that in order to achieve the growth-promoting benefits of foreign direct investment, a certain degree of institutional development is required. The effectiveness of foreign direct investment (FDI) on economic growth has also been found to positively correlate with institutional quality in numerous other studies (Hsiao & Shen, 2003; Rachdi & Brahim, 2014; Jilenga & Helian, 2017; Miao et al., 2020; Van Bon, 2019). The majority of these studies have demonstrated that nations with better governance and higher institutional quality are better able to take advantage of FDI benefits, which have a greater positive effect on economic growth than nations with worse governance or lower institutional quality.

Recently, Aziz (2020) found that, by absorbing the spillover effects of foreign direct investment (FDI) in 11 Arab nations between 1988 and 2012, institutional quality plays a critical role in fostering economic growth through indirect effects. Analyzing how institutions directly contribute to luring Chinese foreign direct investment to sub-Saharan Africa. According to Miao et al. (2020), the benefits of foreign direct investment (FDI) on economic growth in African nations heavily rely on suitable policy measures to raise the standard of these nations' institutions. Nonetheless, some research has shown that institutions hurt the relationship between FDI and economic growth (Smith, 2007). In 34 sub-Saharan African nations, Asamoah et al. (2019) found no convincing evidence of the impact of institutional quality on the efficiency of foreign direct investment on economic growth.

A threshold value for institutional quality that host nations must meet to increase the impact of FDI on economic growth has been identified by a number of researchers looking at the function of institutions in the relationship between FDI and economic growth. Utilizing panel data from 130 nations throughout. According to Okada and Samreth (2014), the relationship between FDI and corruption has a favorable impact on FDI's impact on economic growth between 1995 and 2008. More precisely, if corruption is below a particular level, FDI hinders economic progress. Jude and Levieuge (2016) also discovered that FDI's ability to stimulate economic growth is positively impacted and improved by a supportive institutional framework. The study also determined a threshold value for institutional quality that influences the relationship between FDI and growth. Using a GMM model for five regions (SSA, MENA, Europe, Asia, and the Americas), Kondyan and Yenokyan (2019) have verified the important role and influence of institutions in the overall impact of FDI on enhancing economic growth. Notably, the study established a consistent threshold for government stability and the efficiency of law enforcement in promoting GDP growth through FDI when looking at individual institution components.

Yeboua (2021) examined the effects of each institutional component on the FDI-growth correlation in 27 African nations between 1990 and 2017, in contrast to the majority of studies that use overall institutional indices to evaluate the function of institutions in the relationship between FDI and economic growth. The outcomes demonstrated that in nations with institutional quality above a certain level, FDI fosters economic growth. FDI has a negative or neutral effect on economic growth in nations whose institutional quality falls below this level. To gain from FDI's influence on economic growth, nations must specifically surpass the following thresholds: 65% for government stability, 50% for voice and accountability, 45% for rule of law, 35% for corruption control, and 25% for the quality of administrative machinery.

Sabir et al. (2019) estimate distinct impacts for several indices of institutional quality on FDI for a sample of 59 developing and 89 developed countries evaluated during the period 1996-2016. Overall, they demonstrate that FDI attraction requires high institutional quality; the extent of institutional Developed countries are more affected than developing ones. According to Polyxeni and Theodore (2020), the political reforms implemented are partially responsible for the rise in foreign direct investment (FDI) recorded by the MENAT region between 2002 and 2006. This result supports the findings of Méon and Sekkat (2004), who hypothesize that over the 1990-1999 period, FDI inflows to the MENAT region were encouraged by increases in institutional quality.

Kurul and Yalta (2017) and Bouchoucha and Benammou (2020) demonstrate how low levels of corruption and high levels of institutional effectiveness have encouraged foreign direct investment inflows into Asian and African nations; government effectiveness is a reflection of opinions about the caliber of the civil service, public services, and the extent of its autonomy from political influences, the caliber

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25oct1332

of policies formulated and carried out, and the legitimacy of the government's dedication to these goals.

When Ahmad et al. (2018) and Shah et al. (2016) looked at the short and long-term impacts of institutional quality on foreign direct investment (FDI) in Pakistan, they discovered that institutional quality significantly influences FDI inflows directed towards the manufacturing and services sectors over the long term; no effect is found for FDI focused on the primary sector. Saikia (2021) comes to a similar conclusion by demonstrating that nations with high institutional quality are more likely to attract FDI focused on manufacturing and services. Paul and Jadhav (2019), Doytch (2021), Jiang and Martek (2021), Blanco et al. (2019), and Li et al. (2017) all come to a similar conclusion.

Better institutions also boost productivity, which draws foreign direct investment (FDI), according to Asif and Majid (2018); Jude and Levieuge (2017) contend that while inadequate institutions result in lower investment and slower overall productivity, quality institutions enable greater return investment and reduce uncertainty. In a similar vein, Aziz (2018) maintained that advancing the rule of law and the defense of property rights are the main objectives of institutional quality. However, Ridzuan et al. (2018) highlighted that strong economic growth, domestic investment, the size of the government, and financial development are important factors. Furthermore, Masron (2017) and Garg & Dua (2014) argue that low levels of FDI inflows in the continent emanate from institutional quality and depreciating exchange rate, which have shown a vital connection between governance efficacy, transparency, and capacity to secure international investments. In addition to that, Polyxeni & Polyxen (2020) also found that Strong institutions that protect property rights and enforce the rule of law play a crucial role in developing countries' economic growth and increase the chances of attracting FDI.

However, some studies believe that the impact of institutions on foreign direct investment (FDI) and economic growth depends on particular aspects of the economy, while others believe that the sample, data type, and econometric analysis have a major role in determining the extent and severity of this effect. Using a panel data set of high-income nations from 2005 to 2020, Chen and Jiang (2022) and other researchers discovered that trade openness and industrial structure have a significant positive impact on the impact of institutions on foreign direct investment. Others, such as Sabir et al. (2019), Sayari (2019), and Kurul (2017), developed a composite indicator (using PCA) that incorporates the six governance variables that work together to determine institutional quality; the authors demonstrate that the composite indicator has a notable beneficial impact on foreign direct investment.

➢ *Strategies for Enhancing Exchange Rate Stability in Somalia*

Understanding the exchange rate in Somalia and its historical context sheds light on the complexities and challenges that shape the current economic landscape, driven by both past turmoil and ongoing political developments (Mohamed et al, 2025). The evolution of foreign exchange controls in Somalia can be traced back to three different eras. Before the civil war in 1991, Somalia's economy was largely state-controlled, with the government implementing strict foreign exchange regulations to manage currency flow and stabilize the economy. The Somali shilling, introduced in 1962, was subject to control measures that limited foreign currency transactions, aiming to protect the national economy from external shocks. After the collapse of the central government in 1991, the economy was marked by rampant inflation, currency devaluation, and an influx of foreign currencies, notably the US dollar, which quickly became the preferred medium of exchange. The absence of regulatory frameworks resulted in an informal economy thriving on market-based foreign exchange rates, making it increasingly challenging to implement cohesive monetary policies. Finally, post-civil war by the late 2000s was a period marked by the emergence of a more stable, albeit fragile political structure that led to significant reforms aimed at reintroducing regulatory measures (CBS, 2020). The Central Bank of Somalia began to regain some of its functionalities, initiating a gradual process to formalize foreign exchange operations in a bid to foster a more stable economic environment.

However, as the country is on track to full recovery and state rebuilding, exchange rate stability is the apex of all national priorities. Hence, the following measures and strategies to achieve exchange rate stability and eliminate the volatility of the Somali shilling are necessary for effective foreign exchange controls to bolster the nation's economy, support local businesses, and facilitate foreign investment.

- Restrictions on currency transactions are primarily aimed at stabilizing the economy, managing inflation, and regulating the flow of foreign currency. One of the key restrictions that should be imposed is the one on buying and selling foreign currency. Individuals and businesses must be subject to stringent rules regarding the volume and frequency of these transactions. Designated approved currency exchanges in Somalia where foreign currency transactions should be permitted, whereby a limited number of licensed foreign exchange bureaus are authorized to conduct such operations. This restriction is designed to prevent illegal currency trading, which has been a persistent problem in Somalia. These licensed exchanges can be subjected to specific guidelines set by the Central Bank of Somalia, ensuring that they comply with national financial regulations. As a result, individuals seeking to exchange currency may have limited options.

- Regulatory frameworks should be introduced that place specified limits on the amounts individuals can transact at once. These caps on foreign currency exchanges can vary depending on the economic climate and policy objectives of the government. For instance, transactions exceeding a certain dollar amount may require additional documentation or approval, which can slow down the unnecessary amount of currency in the market significantly. The implications of this regulatory framework are far-reaching. For businesses, it can hinder

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25oct1332

operational efficiency and increase costs associated with trading. Similarly, individuals may face difficulties in accessing needed foreign currencies for travel or personal expenditures. Overall, the current restrictions on currency transactions in Somalia reflect a complex balancing act between stabilizing the economy and allowing robust economic activities.

- Repatriation of foreign currency in Somalia is a major hurdle towards exchange rate stability in the long run. Specific rules and regulations should be designed to regulate the flow of foreign funds into and out of the country. These regulations should aim to enhance the management of foreign exchange and to mitigate risks associated with illegal capital flight. Individuals and businesses wishing to transfer money abroad must adhere to a set of processes that include obtaining requisite approvals and ensuring compliance with prescribed limitations regarding the amounts eligible for repatriation. To initiate the process, individuals are typically required to apply to the relevant financial authorities. This application must outline the purpose of the funds being repatriated, as well as documentation that verifies the origin of the foreign currency. Such documentation may include invoices, contracts, or receipts that affirm the legitimacy of the funds. The approval process may vary depending on the amount being repatriated; larger sums may face more stringent scrutiny, necessitating additional insights into the source of the funds. Furthermore, there are specific limits imposed on the amounts that can be repatriated. These limits are influenced by the prevailing foreign exchange regulations, which are subject to changes based on economic conditions and governmental policies. Generally, repatriation amounts for personal or business transactions are capped at certain thresholds. For transactions exceeding these limits, additional clearances are necessary, which may further prolong the process. It is critical for individuals and businesses to stay informed about the current regulations and to consult financial institutions or legal experts to navigate the complexities involved in repatriating funds.

Overall, understanding the repatriation rules for foreign currency in Somalia is essential for those looking to engage in international financial transactions. Awareness of the requisite approvals and the corresponding limitations will ensure compliance with the legal framework and facilitate smoother foreign exchange operations.

- Reporting requirements for foreign currency holdings are another area where the federal government of Somalia should review. Foreign currency holdings should be governed by specific reporting requirements established by regulatory authorities. These mandates should be designed to enhance transparency and ensure compliance within the foreign exchange market. Both individuals and businesses engaging in foreign currency transactions must adhere to these regulations to avoid potential penalties. Individuals possessing foreign currency must report their holdings at least once every quarter. This reporting period allows for the monitoring of foreign exchange activities, helping authorities maintain stability in the financial system. Businesses, on the other hand, are required to submit monthly reports such as total volume of foreign currency held, the currencies in question, transaction dates, and purposes of the transactions. These submissions must detail the amount of foreign currency held, the sources of these funds, and any transactions conducted during the reporting period. Such data plays a crucial role in assessing the foreign currency market conditions and ensuring proper oversight.

- Foreign exchange control is also an essential aspect of managing Somalia's currency to combat issues such as currency devaluation, inflation, black markets, and significant economic distortions. Somalia's foreign exchange controls should emphasize gradual reform and economic engagement, indicating a strategic approach toward currency management amidst ongoing economic uncertainty. This comparative analysis highlights that while the strategies may share surface similarities, the underlying circumstances and intended outcomes of these policies are markedly different. The foreign exchange control landscape in Somalia is poised for significant evolution, shaped by the growing need for economic stability and growth. Analysts predict that the gradual easing of restrictive currency regulations may enhance market transparency and competition, ultimately benefiting consumers and businesses alike. To facilitate this transition, policymakers must adopt a balanced approach that addresses both the need for financial controls and the promotion of a more liberalized system.

- Another important strategy for policymakers is to strengthen elimination measures that prevent illegal currency activities, including the informal exchange market, black markets, counterfeit money, etc. By developing transparent guidelines and robust enforcement mechanisms, the government can improve market confidence, encouraging both foreign and local investments. Furthermore, engaging with financial institutions to enhance their capacity in currency management can contribute to a more stable forex market.

To encourage broader participation in the formal currency exchange stability process, it is advisable to create public awareness campaigns that educate citizens and businesses about the benefits of operating within regulated frameworks. This would not only promote compliance but also foster a sense of community around the national currency. Overall, embracing these strategies could empower Somalia's economy, drive growth, and maintain the necessary stability in foreign exchange controls.

➢ *Strategies for Enhancing Institutional Quality in Somalia*

The Somalia Enhancing Public Resource Management Project (SERP) received $75 million in funding from the World Bank in December 2022. The project's aim is to help Somalia enhance its institutions for better service delivery, decrease institutional fragmentation, and increase state legitimacy. A grant from the Somalia Multi-Partner Fund and an International Development Assistance (IDA) jointly fund

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25oct1332

the SERP. The primary objective of this endeavor is to provide the Federal Government of Somalia with strategies towards attracting FDI and to achieve national development objectives through institutional quality. This project equips policymakers with tools to measure the effectiveness of strategies, assess the impacts of reforms, and ensure that governance reforms are not only effective but also fair. To reduce institutional fragmentation and increase state legitimacy, this project affirms the notion of separation of powers and accountability among government branches and Levels (Federal Government, Federal Member States, and Local Government) in building a capable State in Somalia. Enhancing institutional quality in Somalia can be tackled from different angles, but in this study, the following areas were given specific interest.

- Since the country is federal, a clear institutional mandate and separation of powers are necessary for providing important services. Therefore, the creation of the constitutional court is urgently needed in order to design an efficient process for resolving conflicts across many levels of government. To give the government rules for establishing or dissolving institutions and guaranteeing they have the appropriate resources and capacity, an institutional establishment act must be put into place. For longer-term service delivery, public institutions must be timely, relevant, and durable, free from duplication of effort and parallel structures.

- Mitigating institutional competition that exists between and among the formal and informal sector institutions is one of the most prominent strategies this study suggests. A good example is a survey conducted by Vanessa van den Boogaard[(1)], International Centre for Tax and Development at the University of Toronto, in March 2021, in three rural and peri-urban areas in Somalia. The results of the survey point to the fact that the bulk of taxation in Somalia is informal, collected by clan or religious leaders (Sheikh, clergy, clan leaders, etc.). A fraction of formal taxes related to livestock tax (at the market or the location intended for livestock for export and local consumption) is paid to the revenue authority. An alarming issue reported by the survey is that formal revenue authorities at the national and state levels are the most distrusted institutions by citizens. According to the survey, locals trust mostly village councils and religious authorities by a margin of 61 percent, while government tax authorities have a trust rate of 38 percent. Therefore, to strengthen institutional quality in the country, the competition between these opposing sides should come to an end, since these contradicting powers are creating distinct levels of authority and decision-making depending on the area or community in question. Public institutions, such as local authorities, assert their power and decision-making authority by providing security and essential services. On the other hand, informal institutions, such as clans, traditional leaders, and religious entities, have a significant degree of operational authority on social and community development matters.

- Access to Justice is paramount for institutional quality, and special focus should be given on the accessibility of justice and the efficiency of judicial systems. Somalia has a 94% case resolution rate, and according to administrative data, justice institutions are successfully carrying out their duties, especially in Somaliland and Puntland, where the Rule of Law is noticeably stronger in contrast with other Federal Member States. The following are some of the difficulties Somalia's judicial institutions face; Court fees, transportation costs to get to court, cost of hiring legal counsel, people may be reluctant to file disputes with the court system because of security concerns in some areas especially those that are experiencing conflict or instability, shorter hours of operation, court closures may occur during specific months, such as the holy month of Ramadan or around significant holidays, lack of trust in some cases, people may avoid the judicial system due to a perceived lack of fairness, transparency, or efficiency in how the courts operate. Therefore, tackling the above-mentioned challenges can help the government strategize prominent policies to harmonize the institutional quality in the judicial department of the country.

✓ *1https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/16466/ICTD_WP118.pdf?sequence=1&isAllowed=y*

- In political and public participation, the under-representation of women across all branches of governance remains a glaring concern in the quest to improve institutional quality in Somalia. A huge number of qualified women who would have contributed positively to the institutional structure of public sector offices are slightly represented. In addition to having no representation in the judiciary, women only occupy 21% of parliamentary posts, 8% of cabinet positions, and 26% of civil servant jobs. This exclusion, especially in the judiciary, is a reflection of long-standing social and cultural norms that limit chances for women to hold leadership positions. In addition to undermining gender parity, this kind of systemic exclusion restricts the range of viewpoints that can be considered when making decisions. It will take revolutionary changes to close these inequalities, such as lobbying and education initiatives, gender-sensitive legislation, and the establishment of institutional structures that aggressively encourage women's involvement in all spheres of government. Additionally, key policies, including the National Employment Policy, Somali National Gender Policy, Women's Charter, and National Development Plan, are identified as crucial steps toward societal equality.

- Strategies to enhance security institutions should be stabilizing newly liberated areas as a critical step in ensuring sustainable peace, security, and development. The Stabilization Program should be designed to support areas recovering from conflict by restoring governance, rebuilding infrastructure, and providing essential services. A key component of this initiative is the use of the Fragility Index and the Maturity Model, which assess and

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25oct1332

rate a large number of areas across the Federal Member States. These tools provide a structured approach to measuring stability, governance capacity, and resilience, enabling more targeted and effective interventions. The Fragility Index evaluates various factors such as security conditions, institutional strength and quality, economic stability, and social cohesion, offering a data-driven assessment of vulnerabilities. Meanwhile, the Maturity Model categorizes areas based on their level of stabilization and progress, guiding decision-makers in prioritizing resources and support. Together, these frameworks help identify gaps, track improvements, and ensure that stabilization efforts align with the specific needs of each region.

- In Somalia, openness and information availability must be the top national priority if institutional quality is to thrive. The nation's dedication to accountability and openness needs to be reviewed and reflected. Even though Somalia has achieved notable strides in Enhancing public information's availability and distribution, for instance, judicial hearings are now publicly televised. The Federal Government also introduced weekly briefings in which representatives from the Ministry of Information, Culture, and Tourism give updates on the week's major events and developments. In a similar vein, police enforcement organizations have started hosting weekly briefings to provide information on security operations and initiatives to reduce crime. To improve institutional quality in Somalia, access to information systems should be strengthened by solving Issues like inadequate infrastructure, political meddling, and security limitations that threaten the complete fulfillment of this entitlement. It is also commendable to increase information access to rural and marginalized people, fortify institutional frameworks, and protect journalists since Al-Shabaab insurgents target journalists to hinder proper access to information.

- Better coordination and harmonization of data collection activities among many government bodies, international organizations, and non-governmental organizations are necessary in addition to Somalia's openness and accessibility to information. Data, concepts, and methods that are inconsistent. Comparing and analyzing governance statistics data is difficult due to the collection methods used across many sources and time periods. A field like governance statistics is quite delicate. In Somalia, the gathering of sensitive administrative data is frequently dispersed, with several organizations and agencies gathering information on their own. It is challenging to gather data and guarantee consistent data quality and reliability due to the lack of standards and coordination. Absence of uniformity and the overall institutional quality of Somalia are further challenged by harmonization attempts, which make it difficult to monitor development, spot patterns, and conduct insightful cross-sectional and longitudinal comparisons. Therefore, in order to create coordinated protocols for data collecting and sharing, the Somali National Bureau of Statistics (SNBS) must work with other Ministries, Departments, and Agencies in charge of education, health, justice, police, finance, and other pertinent sectors.

Finally, home-grown solutions like encouraging local innovation in governance and public administration can lead to more adaptive and responsive institutions. It also helps build local expertise and leadership.

In summary, the strategies outlined above to enhance exchange rate stability and institutional quality in Somalia are not only comprehensive but also timely and realistic. By addressing key structural weaknesses, strengthening regulatory frameworks, improving fiscal and monetary coordination, and reinforcing the rule of law, these measures lay a strong foundation for sustainable economic growth. Together, they create a more predictable and secure environment for investors, thereby increasing Somalia’s attractiveness as a destination for foreign direct investment. With continued commitment and effective implementation, these strategies have the potential to transform Somalia’s economic landscape and unlock long-term development opportunities.

IV. CONCLUDING REMARKS

Somalia has seen very little foreign direct investment (FDI) because of the country's protracted conflicts, political unrest, and security threats. Nonetheless, the federal government of Somalia has recognized the necessity of a comprehensive, bottom-up reform of the public sector's institutional structure, and recent initiatives have been created to encourage economic growth in the nation and draw in foreign direct investment. Initiatives like Public Financial Management (PFM), domestic revenue mobilization (DRM), Somalia Civil Service Strengthening Project (CSSP), Customs Reform and Trade Enhancement Somalia (CRATES), and the Prosperity from Revenue program (PROFR) are among the most notable reforms. These initiatives are designed to assist Somalia in establishing state legitimacy, minimizing institutional fragmentation, and fortifying institutions to provide better services. Therefore, the federal government of Somalia should set up structures for coordination at various levels, work closely with all stakeholders, and strike a balance in order to assist in strengthening the capacity of the institutions and increase openness and accountability in the management of public resources. The government's ambitious and forward-thinking governance should align with the demands and difficulties of a fragile, violent, and conflict-affected (FCV) environment. To achieve exchange rate stability in the country, the federal government of Somalia had proposed a currency board arrangement (CBA), which is a system that would peg the Somali shilling to a stable foreign currency, likely the US dollar, at a fixed exchange rate. Under this model, each shilling in circulation must be fully backed by foreign currency reserves. This reform is the foundation of every endeavor aimed at stabilizing the exchange rate in Somalia because, since the collapse of the Somali state in 1991, the country’s formal financial system has largely disintegrated, the central bank ceased operation, the official Somali shilling lost its value, and the market became flooded with outdated

ISSN No:-2456-2165 https://doi.org/10.38124/ijisrt/25oct1332

and counterfeit currency. And this makes it extremely difficult to quantify the amount of Somali shillings fully operating in the markets nationwide. Finally, boosting FDI inflow in Somalia should be backed by strong technical and financial support from the international allies and donor countries.

V. LIMITATIONS OF THE STUDY

This study contains a number of limitations that underscore the need for additional research, notwithstanding its merits. The use of secondary data from SCOPUS-indexed publications is one of the main limitations and although these articles offer insightful information, they might not adequately convey the various dynamics and difficulties Somalia's institutions face as the nation recovers from 30 years of civil war and statelessness, as well as the harsh reality of lacking a fully operational monetary authority to set the pace for exchange rate stability. Secondly, institutional elements like democracy, the rule of law, efficiency of government, accountability, and transparency, among others, were rarely put into consideration, and that will limit the in-depth understanding of this complex relationship. Additionally, there is unequal geographic representation in the evaluated studies. The developed countries (i.e., India, China, Malaysia, and Europe), where these initiatives have already taken shape, are where most research on the effects of currency rate volatility and institutional quality on foreign direct investment (FDI) is concentrated. But vulnerable areas in Africa, especially in post-conflict nations like Somalia, have already been forgotten, and a lack of research interest in these countries implies low civic awareness.

REFERENCES

[1]. Adeoye, B. W., & Saibu, O. M. (2021). Exchange rate volatility and foreign direct investment in Africa: Does institutional quality matter? Journal of Economic Studies, 48(5), 987–1005. https://doi.org/10.1108/JES-07-2020-0335

[2]. Ahmed F, Kousar S, Pervaiz A, and Shabbir A. (2021). Do institutional quality and financial development affect sustainable economic growth? Evidence from South Asian countries, Borsa Istanbul Review 22 189–96

[3]. Acemoglu D, Johnson S, and Robinson J. A. (2005). Institutions as a fundamental cause of long-run growth, Handbook of economic growth, 1, 385–472

[4]. Ashraf J, Luo L, and Khan M. A. (2022). The spillover effects of institutional quality and economic openness on economic growth for the Belt and Road Initiative (BRI) countries, Spatial Statistics 47 100566

[5]. Ashraf J. (2023). Does political risk undermine the environment and economic development in Pakistan? Empirical evidence from China–Pakistan economic corridor Economic Change and Restructuring 56 581–608

[6]. Alguacil, M., Cuadros, A., & Orts, V. (2011). Inward FDI and growth: The role of macroeconomic and institutional environment. Journal of Policy Modeling, 33 (3), 481–496. https://doi.org/10.1016/j.jpolmod.2010.12.004

[7]. Adeleke, A. I. (2014). FDI-Growth Nexus in Africa: Does Governance Matter? Journal of Development Economics, 39(1), 111–135

[8]. Asamoah, L. A., Mensah, E. K., & Bondzie, E. A. (2019). Trade openness, FDI, and economic growth in sub-Saharan Africa: Do institutions matter? Transnational Corporations Review, 11 (1),65–79.

[9]. Ahmad, H., Ahmed, M. and Atiq, Z. (2018), "The impact of quality of institutions on sectoral FDI: Evidence from Pakistan", Foreign Trade Review, Vol. 53 No. 3, pp. 174-88, doi.org/10.1177/0015732517734757.

[10]. Amin, A. A. (2013). Africa's development: Institutions, economic reforms and growth. International Journal of Economics and Financial Issues, 3(2), 324–336.

[11]. Chen, D., Isah, A. B., & Gummi, U. M. (2025). Effect of foreign direct investments on industrialization: The case of China in Africa. Journal of African Economies, 34(1), 53–79. https://doi.org/10.1093/jae/ejad026

[12]. Chen, D., Isah, A. B., & Gummi, U. M. (2025). Effect of foreign direct investments on industrialization: The case of China in Africa. Journal of African Economies, 34(1), 53–79. https://doi.org/10.1093/jae/ejad026

[13]. Dia, I., & Ondoa, H. A. (2023). Does economic freedom improve FDI inflows in Sub-Saharan Africa? Journal of Economic Integration, 38(3), 383–410. https://doi.org/10.11130/jei.2023.38.3.383

[14]. 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.http://dx.doi.org/10.6000/1929-7092.2014.03.24 *Matter?*. Available from: https://www.researchgate.net/publication/392100548_Growth_Effect_of_Foreign_Direct_Investment_in_Asean_Economies_Does_Institutional_Quality_Matter [accessed Sep 29 2025].

[15]. Bouchoucha, N. and Benammou, S. (2020), "Does institutional quality matter for foreign direct investment? Evidence from African countries", Journal of Knowledge Economy, Vol. 11 No. 1, pp. 390-404.

[16]. Chen, F., Jiang, G. and Wang, W. (2019), "Institutional quality and its impact on the facilitation of foreign direct investment: Empirical evidence from the Belt and Road countries", Journal of Chinese Economic and Foreign Trade Studies, Vol. 12 No. 3, pp. 167-188

[17]. Garg, R., & Dua, P. (2014). Foreign portfolio investment flows to India: Determinants and analysis. World Development, https://doi.org/10.1016/j.worlddev.2014.01.030

[18]. Ho, T. L., & My-Linh, M. T. (2023). Nonlinear Effects of Corruption Control on Growth: A Threshold Model. Montenegrin Journal of Economics, 19(2), 119–128.

[19]. Hsiao, C., & Shen, Y. (2003). Foreign direct investment and economic growth: The importance of institutions and urbanization. Economic Development

and Cultural Change, 51(4), 883–896.https://doi.org/10.1086/375711
[20]. Ibrahim, M. I., Omar, Z. M., & Ali, Y. S. (2017). The determinants of foreign direct investment in Somalia. International Journal of Economics and Financial Issues, 7(3), 713–720.
[21]. Islam, M.S., and Mustafa Shindaini, A. J. (2022). Impact of institutional quality and human capital creation on economic growth in Bangladesh: evidence from an ARDL approach International Journal of Social Economics (https://doi.org/10.1108/IJSE-12-2021-0732)
[22]. Ibrahim, M. I., Omar, Z. M., & Ali, Y. S. (2017). The determinants of foreign direct investment in Somalia. International Journal of Economics and Financial Issues, 7(3), 713–720.
[23]. Jude, C. and Levieuge, G. (2015). Growth Effect of FDI in Developing Economies: The Role of Institutional Quality. LEO Working Papers/DR LEO, 2251.
[24]. Jilenga, M. T., & Helian, X. (2017). Foreign direct investment and economic growth in Sub-Saharan Africa: The role of institutions. Turkish Economic Review, 4 (4), 239–247. http://dx.doi.org/10.1453/ter.v4i4. 1385
[25]. Jiang, W. and Martek, I. (2021), "Political risk analysis of foreign direct investment into the energy sector of developing countries", Journal of Cleaner Production, Vol. 302 No. 15
[26]. Kurul, Z. and Yalta, Y. (2017), "Relationship between institutional factors and FDI flows in developing countries: new evidence from dynamic panel estimation", Economies, Vol. 5 No. 2.
[27]. Kebede, J. G., & Takyi, P. O. (2017). Causality between institutional quality and economic growth: Evidence from sub-Saharan Africa. European Journal of Economic and Financial Research, 2(1), 114–131.
[28]. Kilishi, A. A., Mobolaji, H. I., Yaru, M. A., & Yakubu, A. T. (2013). Institutions and economic performance in sub-Saharan Africa: A dynamic panel data analysis. Journal of African Development, 15(2), 91–120.
[29]. Kandil, M. (2009). Determinants of institutional quality and their impact on economic growth in the MENA region. International Journal of Development Issues, 8(2), 134–167
[30]. Kwablah, E., & Amoah, A. (2022). Foreign direct investment and economic growth in Sub-Saharan Africa: The complementary role of economic freedom and financial market fragility. Transnational Corporations Review, 14(2), 127– 139. https://doi.org/10.1080/19186444.2022.2041159
[31]. Kwablah, E., & Amoah, A. (2022). Foreign direct investment and economic growth in Sub-Saharan Africa: The complementary role of economic freedom and financial market fragility. Transnational Corporations Review, 14(2), 127– 139. https://doi.org/10.1080/19186444.2022.2041159
[32]. Li, C., Murshed, M. and Tanna, S. (2017), "The impact of civil war on foreign direct investment flows to developing countries", Journal of International Trade and Economic Development, Vol. 26 No. (4), pp. 488-507.
[33]. Lau L, Choong C, and Eng Y. 2014. Carbon dioxide emission, institutional quality, and economic growth: empirical evidence in Malaysia Renewable Energy 68 276–81
[34]. Louis, C., Arpit, P., & Stephen, S. (2015). Institutions and the economic development of Africa. Atlanta: Georgia Institute of Technology. http://hdl.handle.net/1853/53295. Accessed 15 June 2018.
[35]. Moussavou, F. (2022). Determinants of the attractiveness of foreign direct investments in CEMAC: An empirical panel analysis over the period from 1985 to 2019. Review of Eco-nomics and Development Studies, 8(3), 233-249. https://doi.org/10.47067/reads.v8i3.467
[36]. Masron, T. A., & Nor, E. (2017). FDI in ASEAN-8: Does institutional quality matter? Applied Economics Letters, 20(2),186–189. https://doi.org/10.1080/13504851.2012.687090Menegaki,
[37]. Méon, P. and Sekkat, K. (2004), "Does the quality of institutions limit the MENA's integration in the world economy?", The World Economy, Vol. 27 No. 9, pp. 1475-1498.
[38]. Moher D, Liberati A, Tetzlaf J, Altman DG, The PRISMA Group. Preferred reporting items for systematic reviews and meta-analyses: the PRISMA statement. PLoS Med. 2009;6(7):e1000097. https://doi.org/10.1371/journal.pmed.1000097
[39]. Mabey, N., & McNally, R. (1999). Foreign direct investment and the environment: From pollution havens to sustainable development. World Wide Fund for Nature United Kingdom, Surrey.
[40]. Miao, M., Lang, Q., Borojo, D. G., Yushi, J., & Zhang, X. (2020). The impacts of Chinese FDI and China-Africa trade on the economic growth of African countries: The role of institutional quality. Economies, 8(3), 53.
[41]. Mucuk, M., & Demirsel, M. T. (2023). The impact of exchange rate regimes on FDI inflows to emerging markets: A panel data analysis. Central Bank Review, 23(1), 1–12. https://doi.org/10.1016/j.cbrev.2023.01.001
[42]. Meyer, K. E., & Sinani, E. (2009). When and where does foreign direct investment generate positive spillovers? A meta-analysis. Journal of International Business Studies, 40(7), 1075–1094. https://doi.org/10.1057/jibs.2008.111
[43]. Nawaz S 2015 Growth effects of institutions: a disaggregated analysis Economic Modelling 45 118–26
[44]. Nosova, O. (2023). Foreign direct investment's impact on the activity of transnational corporations. Applied Business Issues& Solutions, 2, 3-9. https://doi.org/10.57005/ab.2023.2.1
[45]. Nawaz S. (2015) Growth effects of institutions: a disaggregated analysis. Economic Modelling 45 118–26

[46]. Okada, K., & Samreth, S. (2014). How Does Corruption Influence the Effect of Foreign Direct Investment on Economic Growth? Global Economic Review, 43(3), 207–220. https://doi.org/10.1080/1226508X.2014.930671
[47]. Ojapinwa, T. V. (2017). Remittances, institutional quality, and economic growth in sub-Saharan Africa. Department of Economics, University of Lagos, Nigeria. https://www.semanticscholar.org/paper/Remittances%2C-Institutional-Quality-and-Economic-I Ojapinwa/ddccee3429724cdcfd9b5e91a88fddf21567a64a. Accessed 15 June 2025.
[48]. Okafor, G., Piesse, J., & Webster, A. (2015). The motives for inward FDI into Sub-Saharan African countries. Journal of Policy Modeling, 37(5), 875–890. https://doi.org/10.1016/j.jpolmod.2015.07.003
[49]. Olson M, Sarna N, and Swamy A. V. (1998). Governance and growth: A simple hypothesis explaining cross-country differences in productivity. Mimeo: Centre for Institutional Reform and Informal Sector (IRIS), University of Maryland
[50]. Okada, K., & Samreth, S. (2014). How Does Corruption Influence the Effect of Foreign Direct Investment on Economic Growth? Global Economic Review, 43(3), 207–220. https://doi.org/10.1080/1226508X.2014.930671
[51]. Pickering C, Byrne J. The benefits of publishing systematic quantitative literature reviews for PhD candidates and other early-career researchers. High Educ Res Dev. 2014;33(3):534–48. https://doi.org/10.1080/07294360.2013.841651.
[52]. Paul, J. and Jadhav, P. (2019), "Institutional determinants of foreign direct investment inflows: evidence from emerging markets", International Journal of Emerging Markets, Vol. 15 No. 2, pp. 245-261
[53]. Polyxeni, K. and Theodore, M. (2020), "Institutional quality and FDI inflows: an empirical investigation for Turkey", MPRA Paper No. 104309
[54]. Ridzuan, A. R., Khalid, M. W., Zarin, N. I., Razak, M. I. M., Ridzuan, A. R., Ismail, I., & Norizan, N. (2018). The impact of foreign direct investment, domestic investment, trade openness, and population on economic growth: Evidence from ASEAN-5 countries. International Journal of Academic Research in Business and Social Sciences, 8(1), 128–143.
[55]. Sabir, S., Rafique, A. and Abbas, K. (2019), "Institutions and FDI: evidence from developed and developing countries", Financial Innovation, Vol. 5 No. 1, doi.org/10.1186/s40854-019-0123-7
[56]. Shah, H., Ahmad, H. and Ahmed, M. (2016), "The nexus between sectoral FDI and institutional quality: empirical evidence from Pakistan", Applied Economics, Vol. 48 No. 17, pp. 1591-1601
[57]. Saikia, M. (2021), "Foreign direct investment and institutions: A case of Indian firms", The Journal of International Trade and Economic Development, Vol. 30 No. 5, pp. 725-38
[58]. Tun, Y., Azman-Saini, W., & Law, S. (2014). FDI and Growth: The Role of Institutional Quality. Kuala Terengganu, 9, 17–19
[59]. United Nations Conference on Trade and Development (UNCTAD). (2023). World investment report 2023: Investing in sustainable energy for all. United Nations. https://unctad.org/publication/world-investment-report-2023
[60]. Van Bon, N. (2019). The Role of Institutional Quality in the relationship between FDI and Economic Growth in Vietnam: Empirical evidence from provincial data. The Singapore Economic Review,64(3), 601–623. https://doi.org/10.1142/S021759081650022
[61]. World Bank. (2022). Global economic prospects: Sub-Saharan Africa. World Bank Group. https://www.worldbank.org/en/publication/global-economic-prospects
[62]. Wanjuu, L., & Le Roux, P. (2017). Economic institutions and economic growth: Empirical evidence from the Economic Community of West African States. South African Journal of Economic and Management Sciences, 20(1), 1–10.
[63]. Yeboua, K. (2021). Foreign Direct Investment and Economic Growth in Africa: New Empirical Approach on the Role of Institutional Development. Journal of African Business, 22(3), 361–378.https://doi.org/10.1080/15228916.2020.1770040