

# The impact of domestic investment and foreign direct investment on the gross domestic product in Algeria: an econometric study for the period 2000–2019

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**Abstract :** The objective of this study is to determine the influence of local investment and foreign direct investment on Algeria's gross domestic product. It acknowledges investment as a crucial component that bolsters the gross domestic product.

The study yielded a fundamental finding, namely that both domestic investment and foreign direct investment had a favourable influence on Algeria's gross domestic product between 2000 and 2019. The economic reforms implemented in Algeria have created a favourable investment climate, particularly in industries with significant potential, as suggested by this study. The study highlights the importance of implementing an economic diversification plan in order to maintain equilibrium in the factors that influence gross domestic product.

**Key words:** Domestic investment, Foreign direct investment, gross domestic product.

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## 1. Introduction:

Recently, I have observed Algeria's ongoing endeavours to enhance the investment environment. This has been achieved through the establishment of favourable conditions and circumstances to attract foreign direct investments, the development of a suitable economic framework and a transparent legal framework, and the provision of favourable political and security conditions. These conditions play a crucial role in facilitating investment regardless of whether it is a local or direct foreign entity.

The political and economic upheaval that Algeria has undergone in recent years has had a detrimental effect on investment in the country. However, once the political situation stabilised and Algeria successfully established its legislative institutions, it made efforts to enhance the economic factors that influence investment. This served as a catalyst for Iqbal to attract investment in Algeria as the country reevaluated its approach. The purpose of investment legislation in Algeria is to create a

favourable investment climate that encourages and facilitates the participation of investors. This is crucial since it directly affects the country's gross domestic product.

**1.2. The main problem:** Algeria is diligently striving to align itself with the transformations in the contemporary global economy through the pursuit of investment attraction and the establishment of an investment-friendly climate and environment, all with the aim of bolstering the gross domestic product. The primary question of the problem can be put as follows:

**What is the extent of the impact of domestic investment and foreign direct investment on the gross domestic product in Algeria during the period 2000–2019?**

**1.3. Sub questions:** In this study, we aim to address the primary inquiry by posing a set of subsidiary questions:

- ✓ What is the reality of the study variables (domestic investment, foreign direct investment, and gross domestic product) in Algeria?
- ✓ Is there a statistically significant effect at a significance level of 0.05 between domestic investment and foreign direct investment on the gross domestic product in Algeria during the period 2000–2019?

**1.4. Study hypotheses:** In order to conduct a study that takes into account each of the problems posed above, the main hypothesis of the study was formulated as follows:

**“There is a positive relationship between domestic investment and foreign direct investment in the gross domestic product in Algeria.”**

In order to study this hypothesis and obtain clear answers to the sub-questions, it has been divided into three sub-hypotheses, as shown below:

-The first sub-hypothesis : Algeria has been known to attract domestic investment and foreign direct investment from various foreign countries, and it has also witnessed a noticeable rise in its gross domestic product during the period 2000–2019.

-The second sub-hypothesis : is that there is a statistically significant effect at a significance level of 0.05 between the independent variables (domestic investment and foreign direct investment) and the dependent variable (gross domestic product) in Algeria during the period 2000–2019.

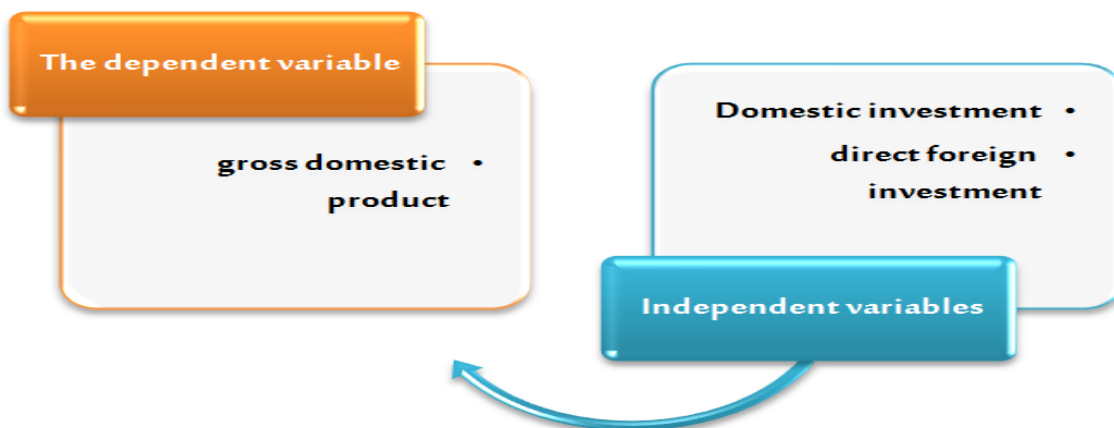
**1.5.Objectives of the study:** The objectives of this investigation are as follows:

- ❖ Identify the theoretical framework of the study variables;
- ❖ Statistically show the reality of the study variables in Algeria;
- ❖ Determine the relationship between the study variables, which include domestic investment, foreign direct investment, and gross domestic product in Algeria

**1.6.The Methodology of the study:** In preparing this study, we relied on the descriptive approach and the analytical approach by defining the concepts of the study variables and determining the reality of local investment and foreign direct investment in Algeria , As for determining the relationship between the study variables, I was subjected to the inferential statistics method to determine the regression equation between the variables, The results were obtained using the programme SPSS 23.

**1.7.Study form:**The research model delineates the predefined limits and elucidates the essence of the correlation between the study's variables, The researcher intends to use this graphic to illustrate the topic being studied and the intended goals to be accomplished, The subsequent diagram depicts this:

Figure 01 : Study model



Source: prepared by the researchers

**1.8. Previous studies:** There are very few studies related to the topic, through our presentation of the following studies, we find studies that discussed the independent variables and other studies that discussed the dependent variables:

- Bordj rassauta.ryma,Rabah bouarab(2020) Which came under the title: " **Assessing the impact of foreign investment on domestic investment** " ,This study aimed to demonstrate the impact of foreign direct investment on domestic investment and to highlight the role that foreign direct investment plays in stimulating domestic investment and achieving higher rates of it. In this study, reliance was placed on the descriptive approach in the theoretical narrative and the standard deductive approach in data analysis. The study reached the following results: Foreign direct investment has a positive impact not only on domestic investment, but it also has an impact on transferring technology, improving the level of workers, improving the growth rate, and promoting development. It also contributed to the development of sectors, especially the fuel sector, because it is the sector that most attracts foreign direct investment. in Algeria.
- Mouhaned salman, ahmed ben bakr albakr (2016) , Which came under the title: "**The Concept of Gross Domestic Product** ",This study aimed to explain the history and concept of gross domestic product, and a descriptive and analytical approach was relied upon in this study. The study also made the following recommendations: the necessity of updating the base year for the implicit deflation factor. The study also recommends diversifying the production base to ensure the continuation of the development process and not be affected by fluctuations. Prices of some resources.

***The location of this study from previous studies:***

- ✓ The subject of our study combines the following variables: domestic investment, foreign direct investment, and gross domestic product, as previous studies did not address the relationship between these variables, and therefore it is considered more comprehensive and detailed.
- ✓ This study is distinguished in that it proposes scientific evidence to determine the relationship between domestic investment and foreign direct investment on gross domestic product.

## **2. General concepts about the study variables**

Due to the significant impact of investment on the gross domestic product, many countries are actively striving to attract investment in order to foster growth in their diverse sectors, such as industry, commerce, services, technology, and others, Additionally, it is seen as a potent factor in attaining both the internal and exterior equilibriums of a divided nation.

2.1. **The concept of Domestic investment :** Domestic direct investment has many definitions, some of which are listed in the following table:

**Table 01 : The concept of Domestic investment**

	researcher	The concept
investment	John Maynard Keynes	"Capital accumulation refers to the increase in the value of machinery, equipment, and other productive assets that happens during a particular period due to production activities".
Domestic investment	The World Bank	"Gross capital formation encompasses the aggregate spending on augmenting the durable assets of the economy, along with alterations in inventory levels".

**Source:** prepared by the researchers based on: (hamidatou, ouldmohamed, & abdelaoui, 2017, p. 325)

The table above clearly indicates that Domestic investment is a prevailing trend across all countries, owing to its distinct qualities that highlight its numerous benefits, The following traits can be succinctly summarised: (Chelabi, 2012, p. 248)

- ✓ Reliance on local markets for necessary goods and services, with minimal reliance on importing raw materials and production requirements from outside sources.
- ✓ There is a strong link between the local community and marketing efforts.
- ✓ remarkable capacity for geographical expansion across urban and rural areas.
- ✓ Supporting the national economy by fulfilling its demands and creating employment opportunities. Promoting investment knowledge among individuals and organisations.
- ✓ Adhere to legal statutes and regulations to effectively manage and promote investment activities, incentivize investors, and safeguard their entitlements.

*Domestic investment refers to the allocation of financial resources towards a particular sector within a given country with the aim of generating profits and revenues.*

2.2. **The concept of Foreign direct investment :** Foreign direct investment has many definitions, some of which are listed in the following table:

**Table 02 : The concept of Foreign direct investment**

researcher	The concept
International Monetary Fund	"To have the ability to make real decisions in managing an institution, an investor must possess permanent interests in the institution that operates in the economic field, but not in the investor's own field."
The Organization for Economic Cooperation and Development	"The concept involves building enduring economic connections with institutions to exert influence over their management by forming a subsidiary and providing long-term loans to either a new or existing institution".
United Nations Conference on Trade and Development	"Foreign direct investment refers to a long-term commitment made by a foreign investor to establish and maintain control over a branch or subsidiary in a host country that is different from the investor's home country. This investment is made with the expectation of obtaining lasting benefits."
The World Bank	"Net investment inflows" refers to the amount of money that is invested in a business outside of the investor's own economy. This investment is typically for a controlling interest (100 percent or more of voting shares) in the business. The total consists of the aggregate of capital, equity, reinvested returns, and other forms of long-term and short-term capital".

**Source:** prepared by the researchers based on: (Beggat & mahlous, 2021, p. 158), (Bordj & bouarab, 2020, p. 1688), (Midoun, 2020, p. 37).

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The table above clearly indicates that countries, regardless of their level of development, highly favour foreign direct investment due to its distinctive traits that highlight its numerous benefits, The aforementioned traits can be succinctly summarised in the following manner: (sid, 2022, pp. 59-60)

- Foreign direct investment is inherently a form of investment that contributes to productivity. Foreign investors strategically utilise resources in underdeveloped countries only after conducting thorough economic feasibility studies and considering all available tactical and technical alternatives.
- This approach ensures optimal resource exploitation. Foreign direct investment plays a crucial role in economic development, leading to economic savings and social benefits.
- Foreign direct investment is regarded as a method of generating employment opportunities and broadening the reach of the domestic market. Furthermore, it facilitates the dissemination of technology to the recipient nation while also promoting international economic transactions.
- Foreign direct investment is distinguished by its propensity for change, as it extends beyond mere profit and interest. The entity relocates to locations that offer the greatest financial gains, where there are favourable infrastructure, tax benefits, and a low-cost workforce.
- This investment is distinguished from others by its distinctive structural and technological qualities, particularly its long-term nature, which is characterised by an extended operating period.
- Foreign direct investment differs from commercial loans and official development aid in that the profits generated from it are tied to the success of the projects being invested in. In contrast, debt service payments for commercial loans are not dependent on the success of the projects they finance.
- Foreign direct investment is regarded as more desirable than portfolio investment due to its greater stability and lower susceptibility to the quick and cyclical fluctuations that take place in host economies, such as variations in interest rates, exchange rates, and stock prices.

*Foreign direct investment (FDI) can be defined as a financial investment made by a country or foreign investor in another country in accordance with legal conditions and agreements between the investor and the receiving country. The purpose of FDI is for the investor to gain profits and for the host country to improve economic variables such as the exchange rate, employment, balance of payments, and foreign trade. Additionally, the host country can benefit from the technology and expertise brought by the foreign investor.*

**2.3. The concept of gross domestic product :** The concept of GDP encompasses both income and expenditure, as illustrated in the table below:

**Table 03 : The concept of gross domestic product**

gross domestic product	The concept
the income method	The term "inputs" refers to the factors of production (labour, capital, and land) that are present in a certain geographical context and contribute to the production process for a defined period, typically a year.
the expenditure method	The aggregate demand refers to the whole value of products and services that are intended to satisfy the needs and wants of society, It encompasses private consumer spending, investment spending, government spending, and net external transactions during a certain period, typically a year.

**Source:** prepared by the researchers based on: (salman & albakr, 2016, pp. 07-08).

The table above demonstrates that the gross domestic product (GDP) holds significant importance as an economic indicator in every country, owing to its distinctive qualities, which are outlined below: (magdy, 2021, pp. 08-09)

- ✓ The domestic product index measures the aggregate economic output generated by society within a given time frame, typically a year. Economists use this index to analyse the performance of the national economy and make predictions about future conditions.
- ✓ Assess the projected rate of growth or decline in the near future to compare the economic performance of countries.
- ✓ Offering insights into the vitality or fragility of a country's economy, as an upsurge in gross domestic product signifies a robust and expandable economy that generates more employment prospects, resulting in reduced unemployment rates and elevated income opportunities. Population.

*Gross domestic product (GDP) can be described as an economic indicator that measures the economic performance of countries. It is calculated by considering the income generated by the production elements employed in the production process throughout the year.*

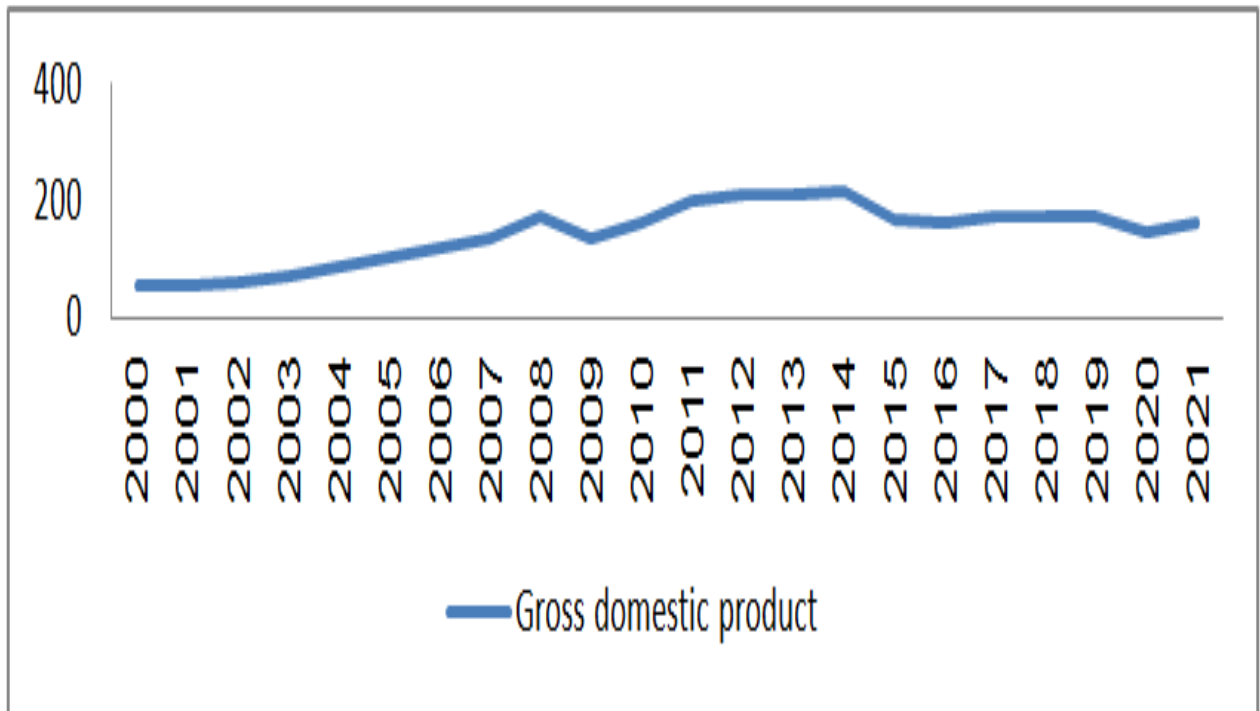
### 3. The reality of gross domestic product, foreign direct investment, and domestic investment in Algeria

Algeria, like other nations, aims to promote investment in order to improve its many sectors, recognising it as a crucial factor pursued by many countries.

#### 3.1. The reality of the gross domestic product in Algeria during the period 2000–2021 :

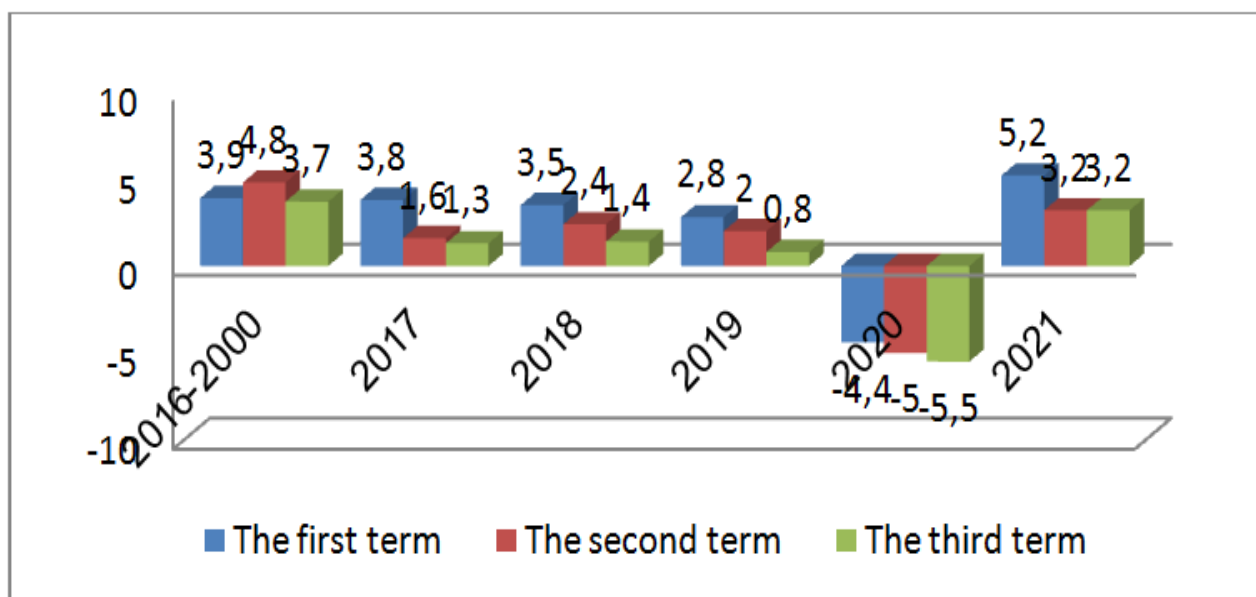
From 2000 to 2021, Algeria experienced variations in the rates and levels of its gross domestic product (GDP), which will be illustrated in the subsequent graphical depiction.

Figure 02: Gross domestic product development during the period 2000-2021



Source: prepared by the researchers based on: (The World & Bank, 2022)

Figure 03: Real GDP growth rates during the period 2000-2021

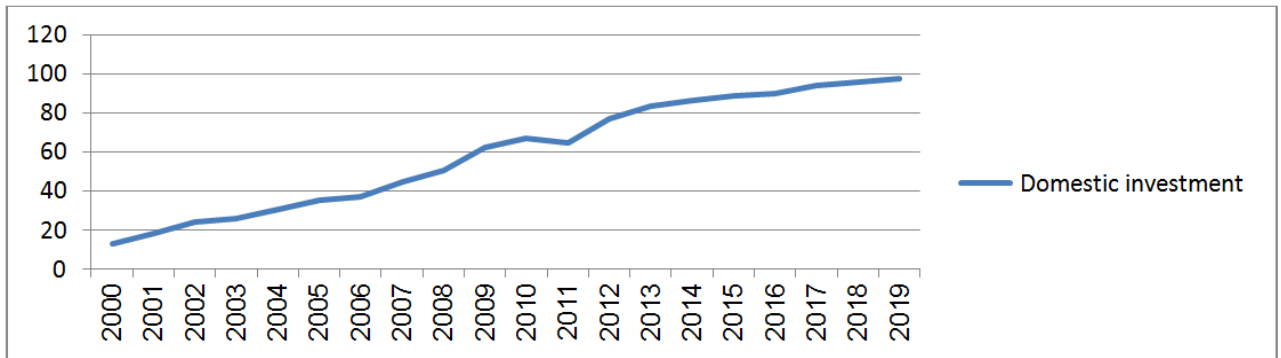


Source: prepared by the researchers based on: (the arab investment & export credit guarantee corporation, 2020)

The graph clearly illustrates the consistent growth of Algeria's gross domestic product (GDP) from 2000 to 2021. The GDP started at 54.74 billion dollars in 2000 and steadily increased until it reached its highest point in 2014 at 213.8 billion dollars, with a growth rate of 4.8%. The reduction in economic activity in Algeria between the years 2015 and 2016 can be attributed to the characteristics of its economic activity, particularly investments in the hydrocarbons and agriculture sectors. This can be attributed to the decrease in oil prices during that timeframe, followed by a subsequent increase in the years 2017 and 2018, with respective values of 170.1 and 174.9 billion dollars. Despite achieving growth rates ranging from 3% to 3.8% throughout the year, the global health crisis COVID-19 emerged in 2019, accompanied by unstable political conditions, leading to a decline in the gross domestic product growth rate. This occurred after conducting a search for investments in energy alternatives and implementing an economic diversification strategy. The maximum reached by the total was 2.8%, leading to the halt of numerous international activities and investments. This resulted in a decline in the gross domestic product (GDP) in 2020, reaching 145 billion dollars. The growth rates of the real GDP were negative over the three-year period, specifically during the first three years. The first tripartite experienced a decrease of 4.4%, the second tripartite saw a decrease of 5%, and the third tripartite witnessed a decrease of 5.5%. However, Algeria's efforts in rehabilitating and investing in various sectors have led to a projected increase in the gross domestic product in 2021. It is expected to reach \$163.1 billion, with a growth rate of approximately 4%.

**3.2. The contribution of domestic investment to the gross domestic product in Algeria during the period 2000-2019 :** Building upon the previous discussion on Algeria's gross domestic product, this analysis aims to identify the specific contribution of domestic investment to the country's overall gross domestic product. The focus is on using the gross domestic product as a metric for measuring development. Hence, gross domestic investment plays a crucial role in bolstering the economy, and this will be elucidated in the subsequent table and figure:

Figure 04: Domestic investment, (% of GDP) during the period 2000-2019

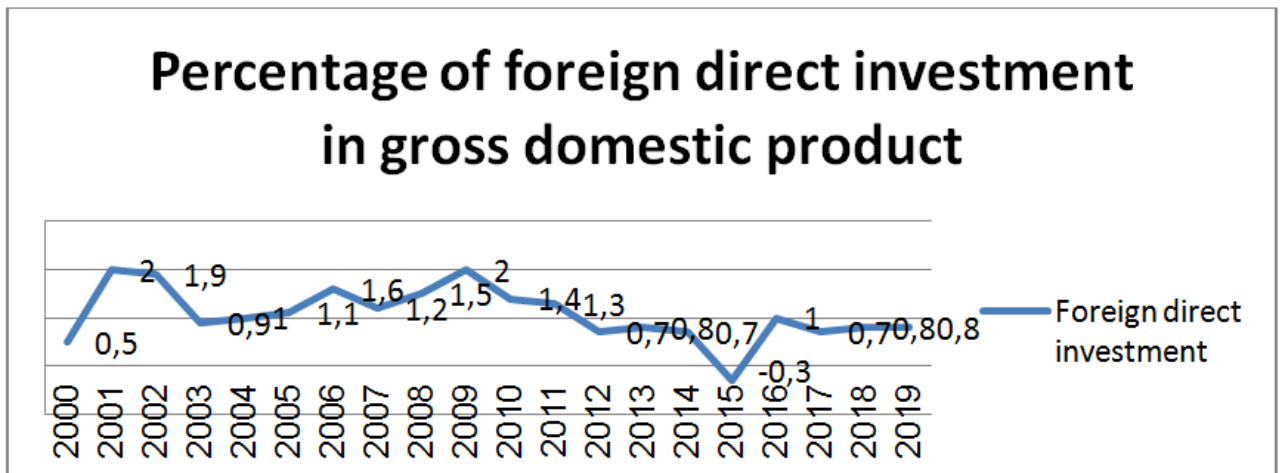


Source: prepared by the researchers based on: (boufeneche, 2021, p. 604)

The graphic curve and table provided demonstrate a noticeable rise in domestic direct investment from 2000 to 2019. This increase coincided with the implementation of the Investment Law of 2001, which aimed to amend the shortcomings of the 1993 law. However, the 1993 law failed to accomplish all of its intended objectives. As part of the economic recovery support programme, efforts were made to enact Law (01-03) concerning investment development. This had a favourable effect on local investment, which experienced a moderate rise alongside the gross domestic product from 2000 to 2019, as indicated by the graphical representation.

**3.3. The contribution of foreign direct investment to the gross domestic product in Algeria during the years 2000–2019 :** This section will identify the contribution of foreign direct investment to the gross domestic product in Algeria. Foreign direct investment plays a significant role in financing development, and this information will be presented in the following table.

Figure 05: Foreign direct investment, net inflows (% of GDP) during the period 2000-2019



Source: prepared by the researchers based on: (The World & Bank, 2022)

Based on the given diagram, it is evident that Algeria experienced a significant influx of foreign direct investment in 2001, This investment accounted for 2% of the country's domestic product, This coincided with the implementation of the Investment Law of 2001, which modified the previous 1993 law that had failed to meet all of its objectives, Therefore, due to its failure to generate the anticipated level of national or foreign investments and enhance the investment climate in Algeria, it became imperative, in line with the economic recovery support programme, to enact Law (01-03) pertaining to investment development as a substitute for the current 1993 law, This law specifically mandates an exemption from the compensation law (mutation of a tire on the road), It also aims to streamline the



process of reviewing investment applications, including the examination of industrial real estate files and their commitment to developing industrial zones, Moreover, it was established, The primary focus of the ANDI agency is on investors, and there have been amendments made to the regulations pertaining to property accessibility, nevertheless, in 2002, the ratio of foreign direct investment to domestic product declined, Indicating a deviation from the previously observed growth trend. This suggests that the decrease is not a result of an enhanced investment environment but rather indicates that Algeria, despite its advancements, is... The country continues to face challenges such as elevated rates of unemployment significant among young people, an unstable regulatory structure, complex tax and export procedures, and rigid labor regulations. In 2003, the proportion of foreign direct investment in Algeria's gross domestic product declined to 0.90%. This decrease can be attributed to the decrease in international initiatives. Despite a decline in the first sector, there was an increase in direct investment after 2003, with a peak of 10% in 2004. This indicates that tax incentives have had a weak impact on attracting foreign direct investment, as most incentives are granted through order (01-03) Within the exceptional regime, however, investment continued to rise from 2005 to 2009 due to higher oil prices, which improved the financial situation, As a result, the hydrocarbons sector became attractive and witnessed British Petroleum planned to exploit the gas field in the Ain Salah region; however, this growth was not sustained as it experienced a decrease in 2010. This was a result of the implementation of the Supplementary Finance Law of 2009, which mandates that foreign investors must include local investors in any investment project in Algeria, with a minimum ownership stake of 51%, The Bank of Algeria imposed a credit restriction on a bond payment in December 2013, Additionally, it stated that the foreign investor is unable to retrieve their capital until 25 years of activity have passed and their ability to purchase real estate is revoked.

The decrease persisted, with foreign direct investment flows reaching their lowest point between 2012 and 2015, This is caused by a decrease in the amount of investment originating from the hydrocarbons industry due to the slowdown in Sonatrach's operations, The level of foreign direct investment flows into Algeria grew in 2013. In 2013, the release of the Supplementary Finance Law introduced new legislative and procedural measures to provide easier and more secure conditions for foreign investments when compared to 2012, In 2019, the world had a health crisis known as COVID-19 , while Algeria faced political turmoil. These events significantly harmed the country's economy, amidst the withdrawal of numerous foreign direct investments across several sectors, the proportion of foreign investments in the gross domestic product experienced a drop until 2021 (kebaili, 2020, pp. 59-58), (ben meriem, 2018, p. 59).

#### **4. Analysis of the impact of investment (domestic and foreign direct) on the gross domestic product in Algeria during the period 2000-2019**

Using previously collected statistical data, a standard model was created to assess the influence of the independent variables (domestic investment and foreign direct investment) on the dependent variable (gross domestic product) in Algeria from 2000 to 2019. This assessment was done through a mathematical relationship known as a multiple linear regression equation. The variables in the model are as follows:

**X1** : The first independent variable (domestic investment)

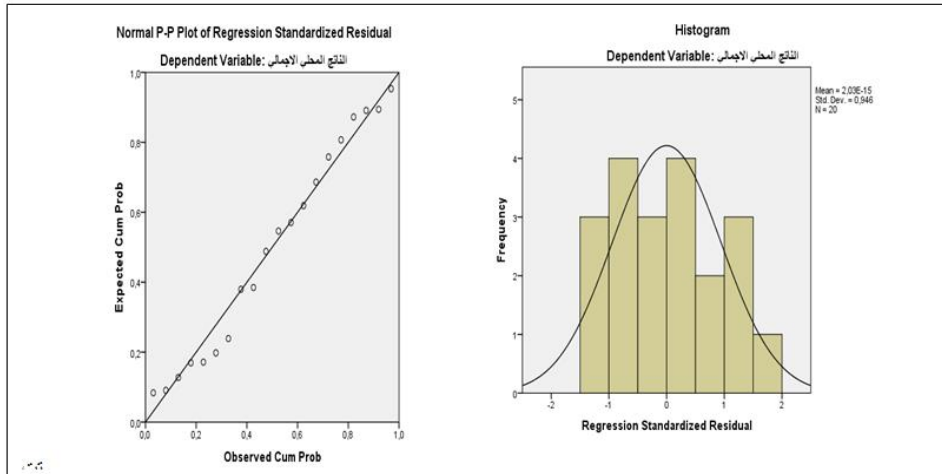
**X2** : The second independent variable (foreign direct investment)

**Y** : Dependent variable (GDP)

Upon inputting the form data into SPSS, the subsequent outcomes were:

**4.1. Moderation in the distribution of residues:**The normality of the distribution of the residuals was tested to measure the stability of the time series data, and the following figure shows this:

Figure 06: Moderation of residual distribution



Source: Programme Output, SPSS23

The provided diagram illustrates the normality of the residuals' distribution, with the data being concentrated around the linear trend line. Hence, the residuals adhere to a normal distribution, which is a prerequisite for doing regression analysis.

**4.2. Model of the impact of investment (domestic and foreign direct) on the gross domestic product in Algeria during the period 2000-2019:** The study variables and their interrelationships were determined and are presented in the following table:

Table 04: Summary of the model of the impact of foreign direct investment and domestic investment on GDP in Algeria during the period 2000-2019

direct foreign investment	Domestic investment	The independent variable	
GDP in Algeria		The dependent variable	
The statistical results of the model			
The standard error of the estimate	Adjusted coefficient of determination	The square of the coefficient of determination( $R^2$ )	Correlation (coefficient (R
23,91795	0,805	0,826	0,909

Source: Programme Output, SPSS23

The summary table of the model assessing the influence of foreign direct investment on Algeria's gross domestic product from 2010 to 2019 reveals the following findings: The correlation coefficient, evaluated at  $R = 0.909$ , suggests a robust positive association between investment (including domestic and foreign direct) and GDP, In Algeria, the gross domestic product (GDP) was analysed using the coefficient of determination ( $R^2 = 0.826$ ). This coefficient measures the proportion of the change in GDP that can be explained by changes in domestic investment, foreign direct investment, and other factors. The remaining percentage change in GDP is attributed to other factors, The standard error of the estimate (Standard Error of the Estimate) was calculated to be 23.91795, A smaller standard error indicates a smaller margin of error in the estimation process.

**4.3. Variation in the impact of investment (domestic and foreign direct) on the gross domestic product in Algeria during the period 2000-2019 :** The model variance was assessed to verify the statistical significance of the study variables. The results are presented in the following table:

Table 05 : Analysis of the variation in the impact of investment (domestic and foreign direct) on the gross domestic product in Algeria during the period 2000-2019

statistical significance	The calculated (F) value	Mean square variance	Degrees of freedom	Sum of the square of variance	
0,000	40,269	23036,510	2	46073,019	Regression
		572,068	17	9725,158	residual
			19	55798,177	the total

Source: Programme Output, SPSS23

The table above clearly indicates that the analysis of variance for the influence of investment (domestic and foreign direct) on boosting the gross domestic product in Algeria yielded a significant result (F = 40.269, Sig = 0.000). Consequently, the significance threshold (Sig) is less than 0.05. The regression analysis yields a statistically significant result, indicating the presence of a substantial association. There is a statistically significant relationship between the dependent variable and the independent factors. The residual sum of squares was calculated to be approximately 46,073,019, which corresponds to the square of the standard error of the estimate. These results suggest that the regression model is satisfactory.

**4.4. Coefficients of the impact of investment (domestic, foreign direct) on the gross domestic product in Algeria during the period 2000-2019 :**The multiple regression equation was derived to account for the established correlation between the independent variables of the study (domestic investment and foreign direct investment) and the dependent variable (gross domestic product). The ensuing table presents the results:

Table 06: Determining the coefficients of the impact of investment (domestic, foreign direct) on the gross domestic product in Algeria during the period 2000-2019

statistical significance	test(t)	Standardized transactions (Beta)	Regression coefficient (B)	Variables
0,146	1,524		22,705	Constant
,0000	8,005	0,822	1,542	Domestic investment
0,016	2,675	0,275	18,656	direct foreign investment

Source: Programme Output, SPSS23

The multiple regression equation was derived from the data presented in the table above.

$$Y=22.705+X_1(1.542)+X_2(18.656)$$

X1 : The first independent variable (domestic investment)

X2 : The second independent variable (foreign direct investment)

Y : Dependent variable (GDP)

This equation illustrates the impact of activating the independent variables on the dependent variable in Algeria, as mediated by the factor (B). The estimated values of (B) for the independent variables were 1,542, while the value for foreign direct investment was 18,656. Nevertheless, this interpretation could be further enhanced. By converting the independent and dependent variables to Z-standardized scores, we obtain the Beta coefficient. In this case, the domestic investment is estimated to be 0.822, and the foreign direct investment is estimated to be 0.275. These values can be found under

the Standardised Coefficients in the table. The coefficients for the independent variable, with  $T=8,005$  and  $Sig=0,000$ , indicate a significant impact of foreign direct investment on supporting the gross domestic product in Algeria.

From the above, it can be said that the result of testing the main hypothesis of the study, which states, "There is a statistically significant effect at the significance level of 0.05 between investment (domestic and foreign direct) and the gross domestic product in Algeria during the period extending from 2000-2019," which estimated the value of F. It has (40,269) and is a function with a significance level estimated at (0,000), and this confirms the existence of statistical significance for the effect of the independent variables (domestic investment, foreign direct investment) on the dependent variable (gross domestic product) in Algeria, and the value of T calculated, respectively, was estimated at (8,005=T) and (0.275=T), which is a function at a significance level less than (0.05), which is indicated by the value of B, which means that the change in the value of the independent variables (domestic investment, foreign direct investment) by one unit for each independent variable corresponds to a change By (%B) for each independent variable in the dependent variable (Gross Domestic Product), and these independent variables are explained according to the coefficient of determination  $R^2$  estimated at (0.826) of the variance in the dependent variable (Gross Domestic Product), that is, a percentage of (82.6%) of the changes occurring in the dependent variable (Gross Domestic Product) are caused by changes occurring in the independent variables (domestic investment, foreign direct investment), and for these results we accept the study hypothesis.

According to the collected data, there is a significant correlation between the factors examined in the study. When the independent variables of domestic investment and foreign direct investment increase, there is a subsequent increase in the dependent variable of gross domestic product, as indicated by the previously specified multiple regression equation. This means that attracting investment by improving the investment environment through regulatory and legal incentives, facilities, and economic infrastructure leads to an increase in gross domestic product. This is a crucial goal for Algeria, as it leads to improvements in various economic variables such as the exchange rate, foreign exchange reserve, trade balance, access to modern technology, and a reduction in unemployment rates.

## 5. Conclusion:

Investment is increasingly seen as a viable alternative to debt financing. One key topic that has recently garnered significant attention from governments is the benefits it offers to both recipients and investors. An essential trend is the examination of investment, both in a general sense and specifically in Algeria. This is crucial since it plays a significant role in bolstering the country's gross domestic product. The achievement of economic stability, including improvements in unemployment, exchange rate, foreign exchange reserve, and balance of payments, is dependent on the efforts made by countries. This includes creating a favourable investment environment that impacts various aspects such as politics, security, and society. Efforts should be made to address the economic challenges and minimise the barriers encountered by investors, given that investment might manifest in various forms of capital inflows.

**Results and recommendations of the study:** In this study, we shall offer the diverse findings and recommendations that have been made as follows:

- ✓ Algeria, with its advantageous geographical position and its abundant natural resources, environmental factors, and economic potential, attracts significant interest from investors.
- ✓ Domestic investment in Algeria experienced a commensurate rise due to the economic changes implemented between 2000 and 2019.

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- ✓ Algeria has experienced a modest increase in GDP rates in recent years, notwithstanding a drop caused by the global health crisis. Coronavirus disease 2019 (Covid-19).
- ✓ Domestic and international direct investment have a favourable effect on the gross domestic product (GDP) by stimulating economic growth and development in Algeria. Attracting investment to Algeria would lead to an increase in the GDP and provide support for the country's development.
- ✓ The need to implement an economic diversification policy in order to maintain equilibrium in the factors that contribute to the gross domestic product.
- ✓ Efforts should be directed towards eliminating barriers that impede the inflow of foreign direct investments rather than providing additional incentives and benefits, particularly tax-related ones, which have a detrimental impact on certain existing activities.

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