

# **Investment Management as a Mechanism for Economic Diversification in the Kingdom of Saudi Arabia: between Opportunities and Challenges - Analytical and Foresight Study 2030 Vision**

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## **ABSTRACT**

*Investment plays an increasing role in promoting economic diversification, and this only succeeds if it is managed effectively. Economic diversification is a crucial feature of supportable progress, as divergence improves economic steadiness and support to surge GDP and encourages organisational and long standing change not only in the budget but also in extra columns of expansion such as communal establishments and proportions. Nevertheless, there is no accord on the consequences in the literature review for the reason that of several influences, for example the employment of dissimilar variable quantity, methods, KSA countries, and time periods. Thus, this work provides detailed insight into the current and future trends and shifts of the Saudi economy. The paper conducts a measurement and analysis of the Saudi economic diversification in light of Vision 2030, the findings of which are used to develop and propose a study framework for developing a dynamic economy.*

**KEYWORDS:** *Investment Management, Economic diversification, GDP diversification, Continuous economic expansion, KSA.*

**JEL CLASSIFICATION:** *E22, O11.*

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## **1. INTRODUCTION**

Despite being the largest economy in the Middle East and a member of the G20, Saudi Arabia faces immense challenges due to an unstable economic environment throughout its region. While oil continues to be their primary source of income, there are limited opportunities for diversifying or expanding this sector making it difficult for them maintain competitiveness with energy market rivals. Although higher revenues from 2003-2013 have improved public welfare in recent years and increased creditworthiness within the country's economy; unfortunately, this growth is still highly vulnerable due to these external factors (Alotaibi et al., 2022).

One of the most pronounced manifestations of resource wealth is a low level of economic diversification, since natural resources assume a dominant place in export income and government revenues (Bahar & Santos, 2018; Michael, 2017).

Despite its admirable progress, the Saudi economy is still susceptible to financial and economic disruptions. To counter this fragility and manage investments, Kingdom leaders have enacted Vision 2030 with a focus on diversifying their industries for long-term sustainability - although nine quintal programmes tend to be utilised primarily for that purpose. This demonstrates just how serious they are about ensuring robust growth. As the

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completion date of Vision 2030 in Saudi Arabia approaches, a critical reevaluation has become necessary to ensure that its major goals have been met (Azka et al., 2020). Within the framework of investment management, several goals were set, one of which is increasing non-oil exports within the nation's GDP from 16% to 50%, providing an essential shift for economic development and success. However, as this change can be difficult without proper analysis or modifications where needed, it will be important to understand what progress has already been made before any decisions are finalised. In literature, only a few studies have adopted quantitative models in their analysis of the Saudi economy's diversification, in light of Vision 2030 adoption. Thus, this work provides detailed insight into the current and future trends and shifts of the Saudi economy. The paper conducts a measurement and analysis of the Saudi economic diversification in light of Vision 2030, the findings of which are used to develop and propose a study framework for developing a dynamic economy.

To study this topic, we will ask the following question:

**What is the reality of investment management as a mechanism of economic diversification in the Kingdom of Saudi Arabia? What are the opportunities and challenges for economic diversification in light of Vision 2030?**

To answer the question, we present the following hypothesis:

**The Kingdom of Saudi Arabia works to encourage and manage investment in order to achieve economic diversification of the country, and it also faces the opportunities and challenges identified by Vision 2030.**

To study the previous problem, we set the following **objectives**:

- Identify the concept of investment management and economic diversification;
- Provide a current overview of the Saudi economy;
- Addressing the challenges of economic diversification in the Kingdom of Saudi Arabia;
- Studying indicators of successful economic diversification in the Kingdom of Saudi Arabia;
- A study on the contribution index of different investment sectors to exports in the Kingdom of Saudi Arabia;
- Measuring the impact of economic diversification on economic growth;
- In this paper, we explore how Saudi Arabia has made strides to develop its economy and manage its investments beyond relying on oil.

**The structure of the paper is as follows:**

1. Introduction;
2. Theoretical Backgrounds;
3. Methodology;
4. Measuring the impact of economic diversification on economic growth;
5. Concluding remarks.

## **2. THEORETICAL BACKGROUNDS**

The term investment management refers to the procedures followed to manage assets in order to achieve predefined investment objectives. These assets can be liquid, such as securities, or they may consist of a collection of commodities. Investment management relies on a set plan for acquiring short-term or long-term investments and disposing of them, encompassing services, banking fees, budgeting, and taxation within its scope. Investment plays an

increasing role in promoting economic diversification, and this only succeeds if it is managed effectively. Economic diversification is a complex concept that can be explored from different angles. From the standpoint of income, it involves having multiple sources to draw on - preventing reliance on one single source (Çetin et al., 2023). In terms of production, it means producing an ever-increasing multitude of economic outputs, and in foreign trades, a variety of export markets must exist for true diversity to take hold. To truly understand its implications, though, we should look at how countries are built: with dynamic services sectors; bountiful natural resources; agricultural production capabilities – all coming together to form sustainable revenue streams free from overreliance or imbalance due largely in part to key advances made within each sector's respective industry framework (Anthony-Orji et al., 2022).

With its young G20 economy, a diverse and educated population of 36 million people, a strategic location at the crossroads of major trade routes across three continents, natural resources to leverage investments in Vision 2030 reforms; Saudi Arabia is an opportunity like no other for global investors. With Finance Ministry initiatives directing economic reform efforts towards creating business opportunities, driving growth and diversifying the country's economy - it's become increasingly attractive as a place to put money (Chen et al., 2023).

Not all expansion is created equal! Vertical and horizontal diversification differ dramatically in approach, with the former connecting existing business lines to create new products without economies of scale, while the latter involves merging two similar or different businesses to expand operations for increased efficiency (Ciftcia & Durusu-Ciftcib, 2022). With careful consideration of both forms of diversification, companies can maximise their growth potential.

Macroeconomics explores two paths to diversification and investment management: the extensive margin, expanding into new ranges of traded goods; and the intensive margin, where volume levels for existing products are increased. Both strategies offer potential routes to a more prosperous economic landscape (Dinh et al., 2019).

Revealing the power of diversification, exploring its effects on economic efficiency and growth, as well as mitigating unsystematic risk that can lead to financial instability; this study draws correlations between these topics (Dinh et al., 2019). Diversifying one's resources is linked with a lower GDP volatility, translating into increased long-term stability for countries in terms of both their economy and finances. By reducing dependence on few natural resources, economies may be more likely to break away from the resource curse and enjoy prosperous times ahead.

Every nation recognises the value of a diversified economy for economic sustainability and improved living standards, which can be achieved through wealth and job creation, advancing knowledge and technology advancement, as well as maintaining orderly politics (Gizaw et al., 2023). To this end, most countries are striving to create varied economies that offer diverse opportunities for growth.

Agriculture and the related sectors became neglected as alternative sources of revenue for the country in preference for the petrol-dollar rent (petrol-dollar capitalism) from crude oil exports, which is currently threatened by emergence of renewable sources of energy (Nkuda, 2021; Oyeranmi, 2020).

## 2.1 Current Overview of the Saudi Economy

Saudi Arabia has been dependent on oil revenues for many years due to its abundant supplies of crude and natural gas, but this may soon no longer be the case. Experts predict that in approximately 20 years these resources will have been significantly depleted. In 2018 non-oil revenue accounted for only 13% of Saudi's general budget with a deficit at 4.6%. Consequently, there is an impending economic challenge facing the Kingdom, as their national budget could see increases up to 6.4%, or higher, by 2020 if new sources are not found quickly enough. Saudi Arabia has taken decisive steps to reduce unnecessary spending in order to navigate potential risks from unpredictable global oil prices and unforeseen events like the Covid-19 pandemic. These changes are crucial for preserving financial stability, as failing to address them could lead to increased debt levels and depleted foreign exchange reserves (Hanif et al., 2019).

In relation to the above, Hoang et al. (2010) stated that the Kingdom's debts amount to \$19 billion in 2020, questioning its foreign exchange reserve that has declined by \$27 billion. In fact, the current picture of the economy of Saudi Arabia goes against Vision 2030. Despite the ambitious goals of Vision 2030, Saudi Arabia's economy has been facing major setbacks due to increasing debt and declining foreign exchange reserves. As a result, this has hindered progress towards economic diversification and the management of investments reliant on oil, as well as achieving greater gender equality in the workforce, both of which are fundamental pillars of the Vision 2030. In order for these sustainable development objectives to become reality, it is essential that effective strategies are implemented by government authorities to create an environment conducive for economic success while tackling unemployment rates across different sectors including tourism (Liu et al., 2023).

## 2.2 The Creation of a Knowledge-Based Economy in Saudi Arabia

To successfully transition from an oil-based economy, Saudi Arabia must invest in educational reform and R&D (Research and development) initiatives. Despite holding the 34th position on Global Competitiveness Report - a ranking undesired of G20 countries such as itself - GCC (Gulf Cooperation Council) nations have been found largely insufficient in investing their resources into research and development (R&D). This is concerning not only for national interest but also for international standing; with many sources citing that less than 1% of GDP be devoted toward these scientific advancements. Therefore, without greater investment towards building knowledge infrastructure, economic diversification may remain out of reach.

Saudi Arabia has the potential to become a powerhouse in the global knowledge-based economy. To achieve success, investments must be made into education and research & development institutions along with a unified educational vision accessible to everyone, from private sector workers to government employees (Mkadmi et al., 2021). With its size and population, this opportunity is amplified for Saudi Arabia as it can leverage these advantages towards reaching its goal of creating an advanced learning environment that caters to all citizens both within the country and on an international scale.

With the local population of Saudi Arabia making up 69% of its total populace, policymakers have begun initiating reform programmes to cultivate a knowledge-based economy. The focus is particularly on fostering entrepreneurship in higher educational curriculums so that private sector job demands are met. But challenges certainly lie ahead - will this be enough for sustainable growth

A population of 36 million might appear to be an asset for Saudi Arabia, but with a lagging economy and most citizens having received traditional educations leading them lacking in the skills needed today's world, this has caused high rates of unemployment among youth and more people entering into public sector employment. Despite being one of the major oil exporters in the world - poverty remains rampant throughout much if not all parts of society due to these factors.

The Saudi National Vision 2030 has set a goal of reducing the country's unemployment rate from 11.6% to 7%, with special attention being given towards increasing female job market engagement up to 30%. Unfortunately, current numbers show that youth females face an alarming 46.3% unemployment and as many as 2-4 million citizens are living in poverty on \$17 per day or less - both figures significantly higher than hoped for by this mission statement.

According to the gap between private-sector job requirements and young Saudis' qualifications is a growing concern as fourteen factors contribute to why the country's educational institutions are failing. These include an absence of innovation, underdeveloped skills, lower quality education – all leading to increased unemployment among youth due to their lack of ability to meet employer demands. An effective vision for improving Saudi education needs to be implemented in order ensure these issues can become a thing of the past (Murshed et al., 2022).

The educational system in this country has been plagued with long-standing problems: bureaucratic delays, a stagnant attitude towards innovation, and corruption among institutions. The powerful religious elite have impeded information access by controlling the curriculum and data acquisition process; resulting in an archaic teaching style that hampers true knowledge-seeking.

### **2.3 Challenges of economic diversification and investment management in the Kingdom of Saudi Arabia**

The Saudi government has struggled to manage its investments and diversify its economy due to several stumbling blocks, including a misguided macroeconomic orientation given its reliance on oil money. This focus largely disregards investing in long-term productive ventures in favour of wealth sharing initiatives and loans with high interest rates that are only useful for immediate needs (Oladele & Nubong, 2022). Despite efforts from the state, creating a balanced economy continues to remain an elusive goal.

Despite the majority of revenue being funnelled to the political class, most notable for their luxurious lifestyles and spending on foreign imports, this has resulted in resources dedicated towards white elephant projects going unappreciated or wasted. As such, those within Saudi Arabia's economic backbone - business and working classes alike- remain largely deprived when it comes to securing additional skills that could push forward nationwide industrialisation (Sharif et al., 2023). This is further evidenced by erratic wages paid out; where plenty are afforded generous salaries without demonstrating true value, yet workers typically earn far less than other countries' counterparts with similar roles. With no hope of financial reward coming from their specializations, many professionals now choose more stable job prospects despite stagnating ambitions as a result (Zamani & Tayebi, 2022). The global political landscape has necessitated a shift for many, forcing them to seek greener pastures in other countries. To ensure its own continued progress and renewal, the nation must prioritize job creation and capital investment into industries of their own making – limiting imports only when necessary – so as not to be left behind by those who have already moved on.

Poor infrastructure and economic diversification have left the nation struggling with a lack of access to basic services (Udemba et al., 2020). To reach its full potential, investments must be made in technology, human development, and skill acquisition, as well as on new roads, communication systems, and educational institutions that are up-to-date. Improved infrastructure will open doors for more innovation which leads to enhanced goods/service production both locally and abroad, ultimately leading to success through sustainable growth of the economy (Udemba et al., 2020).

Economic development and diversification in Saudi Arabia are hampered by long-standing issues with corporate governance, institutions, and politics (Yang et al., 2023). To ensure a strong future for the country's economy and all its citizens, government officials must take decisive steps to restore trustworthiness of public bodies, while also creating sound policies that can help guide progress without being derailed by personal or special interests.

In Saudi Arabia, corruption and resources mismanagement are pervasive. This has taken a toll on economic management, preventing reforms from taking root in the society. As government friends become millionaires and billionaires without having their own firms or business lines, most of the nation's wealth is kept by only a few individuals, leading to stagnant living standards for many people, while infrastructure investments suffer as well (Wang et al., 2021).

Saudi Arabia faces significant challenges in providing a well-equipped educational system that effectively meets the skills needed by its economy. The current academic environment disregards technology and focuses heavily on certification, resulting in graduates who are not prepared for their future work opportunities (Wei et al., 2022). Without reform of this learning infrastructure, Saudi Arabia stands to lose considerable potential with an unemployed population unable to contribute positively to society's development. There is therefore great urgency for increased investment into higher education so it can create sustainable outcomes at a level capable of bettering local industry demands going forward.

### **3. METHODOLOGY**

In this paper, we explore how Saudi Arabia has made strides to develop its economy and manage its investments beyond relying on oil. The government's efforts since 2011 are measured using economic diversification (DIV), with the subtraction of a country's natural resources rent from total annual GDP being taken as indicator for success. It is suggested that real growth in these non-resource sectors could be a primary measure for tracking which countries have shifted away from their traditional "rentier state" models and towards true long-term diversification.

This study was founded on a diverse range of economic and structural variables, including Gross Capital Formation (GCF), Domestic Credit to Private Sector by Banks (DCR) and the GDP share of Foreign Direct Investment Net Inflows (FDI). It further utilized Real GDP Annual Growth Rate data from World Development Indicators for an accurate overview. Other measurable factors included Labor Force Participation rate (LPR), Self-Employment rate (SER) as well as Human Capital Skills through Education levels (EDU)& Rule of Law indicators between countries. (ROL). Comprehensive Descriptive statistics were presented in Table 1.

**Table 1. The descriptive information of the monetary and mechanical variables.**

NO	Variable	Mean	Std. Dev	Min	Max
1	Diversification	75.05	15.00	51.02	99.35
2	Gross capital formation	30.31	8.99	12.85	50.80
3	Domestic credit rate	35.00	30.25	3.435	127.23
4	Foreign	2.400	3.063	-6.369	25.00
5	Real GDP growth	3.975	4.725	-12.46	25.15
6	Labor force participation	65.60	12.85	43.64	88.50
7	Self-employment rate	35.30	29.40	0.410	89.05
8	HDI Education Index	0.500	0.103	0.300	0.800
9	Rule of Law Index	-0.255	0.675	-0.663	0.960

Source: Prepared by researchers based on data: <https://www.stats.gov.sa/ar>

The collection of monetary or financial information plays a vital role in the economic progress of countries. The collection of financial and non-financial capital is essential for them to expand their economy from a resource-based sector to a variety of non-resource-based industries and businesses. Many studies in the literature have explored the importance of investment in economic development from academic and empirical perspectives.

### 3.1 Indicators of successful economic diversification:

#### 3.1.1 Index of economic sectors' contribution to GDP:

Statistics also indicate that the contribution rates of various economic sectors to the GDP during the period 2011/2022 witnessed an increase in the contribution of some sectors compared to a decrease in other sectors, and Table 2 shows this as follows:

**Table 2. The relative contribution of some economic sectors to GDP**

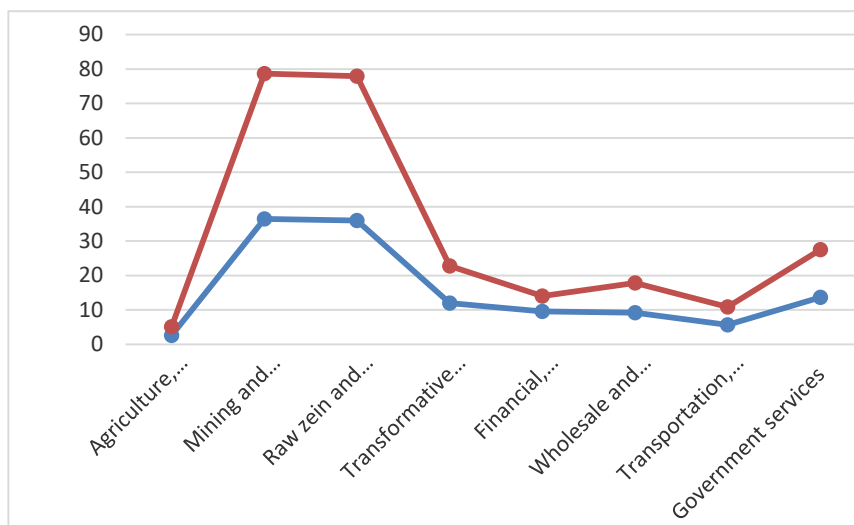
Economic Sector	2011	2022
Agriculture, forestry and fishing	2.5	2.6
Mining and quarrying	42.3	36.4
Raw zein and natural gas	41.9	36
Transformative Industries	10.8	12
Financial, insurance and real estate services	4.4	9.6
Wholesale and retail trade, restaurants and hotels	8.6	9.2
Transportation, storage and communications	5.2	5.7
Government services	13.8	13.7

Source: Prepared by researchers based on data: <https://www.stats.gov.sa/ar>

The data in Table 2 indicates a high percentage of the contribution of the majority of sectors, such as the agricultural sectors, Transformative Industries, Financial, insurance and real estate services, Wholesale and retail trade, restaurants and hotels, Transportation, storage and communications, while the contribution rate of some other sectors decreased, such as mining and quarrying, raw zein and natural gas, and government services.

In addition, the table also shows an increase in the percentage of the non-oil sector's contribution to the GDP, compared to a decrease in the percentage of the oil sector's

contribution to the GDP, which indicates that KSA has achieved remarkable success in implementing the economic diversification policy and that it is on the right path.



**Figure 1: The relative contribution of some economic sectors to GDP**

Source: Based on the data in Table No02

### 3.1.2 Index of the contribution of different sectors to exports

There are also some other indicators through which the extent of the success of the economic diversification process can also be analysed and evaluated. Table 3 shows these indicators.

**Table 3. Merchandise export (oil and non-oil) during the period from 2011 to 2022**

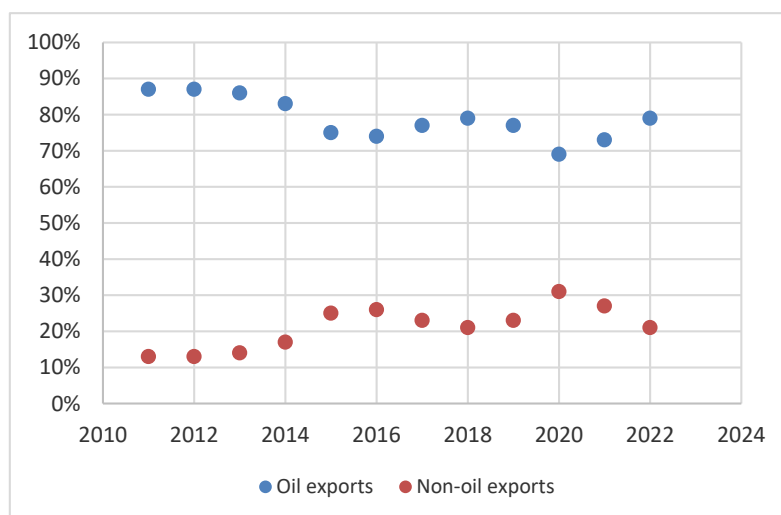
Year	Total merchandise exports	Oil exports		Non-oil exports	
		Value (billion riyals)	percentage	Value (billion riyals)	percentage
2011	1.368	1.191	%87	177	% 13
2012	1.456	1.265	%87	191	% 13
2013	1.410	1.207	%86	203	% 14
2014	1.284	1.067	%83	217	% 17
2015	763	573	%75	190	%25
2016	689	511	%74	178	%26
2017	832	638	%77	194	%23
2018	1.104	868	%79	236	%21
2019	981	752	%77	229	%23
2020	652	448	%69	204	%31
2021	1.035	758	%73	277	%27
2022	1.541	1.226	%79	315	%21

Source: Prepared by researchers based on data: <https://mep.gov.sa/ar>

By analysing the data in Table 3, we find that the percentage of non-oil merchandise exports has increased significantly from 2011 to 2022, as it rose from 177 billion riyals to 315 billion riyals, and that oil exports have also increased, rising to their highest rates ever, as they rose from 1.191 billion riyals to 1.226 billion riyals, which indicates the development of the economic diversification policy in KSA.



Therefore, it is clear from the above that the Kingdom of Saudi Arabia is working to diversify economic sources in accordance with the Kingdom's Vision 2030, as it is working to create a type of employment insurance because there are many industries that lead to the creation of more job opportunities, and there are those who say that more diversified economies are more flexible to external events and developments, and that diversification is often promoted as a means of achieving the dual economic goal, it is (stability and growth), by exploiting the comparative advantage and natural resources that the region enjoys, so economic diversification can enhance the economic growth of countries.



**Figure 2. Merchandise export (oil and non-oil) during the period from 2011 to 2022**

*Source:* Based on the data in Table No 03

The KSA 2030 Vision is supported by a set of ambitious policies aimed at managing its investments to achieve economic diversification, through a set of measures, which are (KSA Vision 2030):

- Paying attention to the private sector by increasing the participation of small and medium enterprises in the gross domestic product from 20% to 35%.
- Expanding investment in non-oil sectors and allocating state-owned assets.
- Encouraging the private sector to invest and innovate by removing obstacles that hinder it from contributing to economic development, by increasing the private sector's contribution to the domestic product from 40% to 65%.
- Paying attention to structuring economic cities and striving to benefit from the competitive advantages of each region.
- Raising the percentage of foreign direct investments from 3.8% to 5.7%.
- Increasing non-oil government revenues from 631 billion riyals to one trillion riyals annually.
- Raising the percentage of non-oil exports from 16% to about 50% of GDP.
- Paying attention to logistical services, making the Kingdom ranked 25th globally and first regionally.
- Raising the percentage of local content in the oil sector from 40% to 75%.

The National Transformation Programme (NTP) also included a set of policies that aim to achieve economic diversification, including improving the business environment and climate to encourage various sectors towards economic diversification, reforming the financial structure by reducing government spending by reducing subsidies and increasing government revenues, and limiting the role of the state on the functions of planning, regulation, and control.

#### 4. MEASURING THE IMPACT OF ECONOMIC DIVERSIFICATION ON ECONOMIC GROWTH

Economic diversification is linked to an increase in the relative contribution of different economic sectors to the gross domestic product. The greater the economic diversification, the more this reflects positively on economic growth. Below we try to measure the impact of economic diversification. Below is the evaluation equation:

$$Y_t = \beta_0 + \beta_1 HC_t + \beta_2 VAD_{ind} + \beta_3 VAD_{serv} + e \tag{1}$$

whereas:

- **Y<sub>t</sub>**: Average GDP per capita.
- **HC<sub>t</sub>**: Herfindahl-Hirschman index of Economic Diversification.
- **VAD<sub>ind</sub>**: The value added achieved in the industrial sector as a percentage of domestic product total.
- **VAD<sub>serv</sub>**: The value added achieved in the services sector as a percentage of GDP Total.
- **e**: error term.
- **B<sub>0</sub>, β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>**: are parameters estimated through the model.

Regarding data sources, the average per capita GDP index and the value added index achieved in the industrial and services sector were obtained from World Bank data during the period from 2011-2022 As for the Herfindahl-Hirschman economic diversification index, its data were obtained from The United Nations Comtrade for the same period, Tables 4 and 5 illustrate this.

**Table 4. Regression Analysis**

Predictor	Coef	SE Coef	T	P
Constant	-11.519	3.671	-3.59	0.030
log HC	-6.494	2.504	-5.17	0.000
log VADind	5.852	1.120	2.19	0.004
log VAD serv	4.056	2.039	3.30	0.000

Source: Results of statistical analysis.

Using the MINITAB statistical package, an estimation of the previous model was performed, and the estimation results were as follows:

Regression Analysis: log Y versus log HC, log VADind, log VADserv

The regression equation is:

$$\log Y = - 11.519 - 6.494 \log HC + 5.852 \log VADind + 4.056 \log VADserv$$

R-Sq = %88.2, R-Sq (adj) = %84.5 (2)

**Table 5. Analysis of Variance**

Source	DF	SS	MS	F	P
Regression	4	0.37206	0.14702	73.18	0.000
Residual Error	13	0.14754	0.00246		
Total	17	0.51960			

Source: Results of statistical analysis.

It is clear from Tables 4 and 5 that the sign of the parameter  $B_1$  is negative, which is consistent with the economic theory that there is an inverse relationship between the economic diversification index and economic growth, where the difference in the sign of the diversification index leads to an increase in the degree of diversification, which leads to an increase in the level of economic growth, and the calculated value of T was higher than the value of T. Tabulation. Additionally, the sign of  $B_2$  was positive, which is consistent with the economic theory that there is a direct relationship between the added values achieved in the industrial sector and the level of economic growth, and the calculated T value was higher than the tabulated T value.

Furthermore, the sign of  $B_3$  was positive, which is consistent with economic theory that there is a direct relationship between the added values achieved in the services sector and the level of economic growth, and the calculated T value was higher than the tabulated T value. Finally, the explanatory power of the independent variables was high, as %84.5 of the change in the dependent variable was due to the change in the independent variables.

## **5. CONCLUDING REMARKS**

### **5.1 Search results**

The results of a recent study concerning Saudi Arabia's economic diversification have revealed that there is still much work to be done in investments management. According to the figures presented in Tables 1 and 2, oil continues to reign supreme when it comes to major exports and income - virtually no progress has been made since the country's first development plan was introduced nearly 50 years ago. The impact on private sector growth due to government spending further exacerbates this issue leaving us with clear evidence: achieving optimal levels of economic diversification will require dramatic change sooner rather than later.

The GCC nations face considerable uncertainties when it comes to their future prospects due to the overreliance on oil income. Despite government efforts, there is still a need for more commitment in diversifying economies and creating jobs before external shocks hit - such as an unpredictable drop in oil prices. Saudi Arabia must take steps towards reviewing its current plans, with the aim of finding a viable strategy that leads to successful economic diversification outcomes.

To help create a diversified economy, the government needs to support and invest in non-oil sectors such as agriculture and services. A clear plan outlining goals should be established while also taking lessons from countries that have successfully managed their dependence on oil. By collaborating with private sector companies, these processes can start becoming more streamlined, ultimately leading towards an independent future for all involved parties.

### **5.2 Research recommendations**

- ✓ Within the framework of investment management and over the last 40 years, Saudi Arabia has undergone 10 unique development plans with each one targeting economic diversification for a five-year period. Through examining four variables - oil sector share of GDP, private sector share of GDP, oil exports as percentage of country exports, and oil revenues as percent total revenue from 1970 to 2013 - it became clear that despite considerable effort in attempting to move away from dependency on this key industry, its dominance remains undiminished in today's economy;
- ✓ The Saudi Arabian government must consider economic diversification as a tool to strengthen its country, not just for sustainable growth. This progressive plan should

support non-oil sector contributions and create regulations that will help foster a competitive private sector independent from the state. Determining how crucial industries like agriculture can be used as an advantage is key in this ambitious endeavour against corruption, unemployment, and institutional improvement, goals sure to bring about positive change throughout society;

- ✓ Diverse countries rich in natural resources have pursued economic diversification processes at different times and places. To understand the bigger picture, these discrepancies need to be taken into account through structural time breaks. Although this study did not investigate currency appreciation with floating exchange rates, future works should explore inflation trends that adapt to fixed-rate regimes, as well as other monetary policies.

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