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# Impact of Foreign Direct Investment on Unemployment and Economic Growth in Tajikistan

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## Abstract

*This paper studied the impact of foreign direct investment on the unemployment rate and economic development in Tajikistan from 1967 to 2017. The ordinary least squares method was employed to analyze the data in this study. Despite this topic being very new in Tajikistan, it was a very interesting and great learning experience to run regressions and perform empirical analysis on this subject. Effects of Foreign direct investment is analyzed theoretically in Tajikistan, and few papers have been done using empirical analysis; this study analyzes the effects of foreign direct investment on unemployment on economic growth and in Tajikistan;*

**Keywords:** Foreign Direct Investment, Unemployment, Economic Growth, Tajikistan

## Introduction

Strong positive economic growth is the number one feature of a good economy, and governments worldwide seek to achieve this one characteristic in all their policies and promises. However, it is the one feature that proves the most challenging to accomplish. In some circumstances, almost impossible, especially when there are uncertainties like wars, famine, or extreme political changes that may lead to extreme poverty or demographic and political changes that may not allow the economy to grow. In this paper, we take a look at the economic development of Tajikistan and analyze empirical data that we intend to prove the need for Foreign Direct Investment in order to strengthen the economy of Tajikistan.

The characteristic feature of modern international economic relations is the movement of capital in the form of foreign investment due to the internationalization

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of social production and the activities of transnational corporations. This process is essential for all countries, including Tajikistan. The attraction of foreign investments into the economy of Tajikistan has now become of particular importance, as the level of domestic capital accumulation does not meet the requirements of the investment resources needed for its rehabilitation. The formation of a favorable investment climate in the Republic of Tajikistan necessitates fundamental changes to the investment policy pursued by the state.

Complex and contradictory processes of formation of investor relations in the economy of the Republic of Tajikistan resulted in the need for a qualitative understanding of economic and social phenomena. To date, there have been significant changes in the characteristics and conditions of attracting foreign investment resources. This, in many ways, demanded a revision not only of scientific concepts and applied aspects in the sphere of investment activity but also the development of new practical approaches in training specialists of the Republic of Tajikistan methodology of investment analysis.

The purpose of the study is to study the role of foreign direct investment in the economy of the Republic of Tajikistan. In line with this objective, the paper aims at:

- Disclosing the contents of foreign investments;

- To identify the factors that determine the investment climate of the Republic of Tajikistan;

- To determine the nature of state regulation of investment activities in the Republic of Tajikistan;

- To review the main directions and forms of foreign capital inflows into the economy of the Republic of Tajikistan.

Theoretical sources of the paper were the works of leading scientists-economists in the field of investments and the Republic of Tajikistan. The methodological basis was the General scientific principles of knowledge of economic phenomena, dialectical, concrete historical, structural-functional, and other approaches, which allowed us to consider the studied phenomena and processes in development, identify contradictions and relate the essential characteristics and forms of their manifestation. Used traditional methods to simulate the studied processes by describing, mapping, comparison, and economic and statistical analysis methods. In the course of writing, the work was widely used methods of comparative analysis. The information base of the study was the statistical data and electronic sources of information.

Besides of analysis of foreign direct investment on economic growth, we also conclude that foreign direct investment holds a positive impact on unemployment, which in turn has a positive impact on the economy of Tajikistan. As noted in the early stages of the historical breakdown of the country's economic development, there was no visible growth when Tajikistan was under Soviet Union's control. Then soon after Independence, in 1991… we witnessed an explosion of economic diversification. For example, infrastructure and various industries exist due to foreign direct investment. Large groups of the population living below the poverty line can finally become integrated into the middle class and lower-middle or working class. Due to foreign direct investment, many citizens of Tajikistan became eligible to pursue other diverse methods of earning a decent wage income; instead of the once closed and narrow-headed structured economy of Agriculture.

Foreign direct investment is still a hot subject among policymakers. Several nations consider that foreign direct investment is not advantageous; hence, a strategy to minimize foreign direct investment was developed. The negative impacts of foreign direct investment have compelled the government to interfere in free trade. Domestic enterprises, which trail far behind in technology, are unable to compete with global firms. Such unfavorable circumstances may force domestic firms to close their doors. Foreign company monopolies are common, leading unemployment to rise. According to evidence from Hisarcikhlar in 2010, the extensive application of new technologies in the production of products resulting from foreign direct investment is considered to have a detrimental influence on unemployment. According to Akhtar and Latif in 2009, foreign direct investment is not the answer to lowering unemployment.

## Literature Review

The social state and economic policy aim to improve the population's level and quality of life-based on economic development. Strengthening of social and economic policy of the state, as well as ensuring social protection of the population and real incomes, will be directed. Foreign Direct Investment can be explained as the investment in which an investor invests in foreign countries to gain more market share in the international context and enjoy the economies of scale (Shaari, Hong, and Shukeri, 2012). According to the earlier studies, the Central Asian countries are becoming one of the most important foreign direct investment destinations since they present plenty of natural resources and a large population that boosts market size (Arazmuradov, 2012, Polyxeni K. 2016). Central Asian countries differ significantly in their approaches to foreign direct investment. Energy-rich countries with favourable regimes for foreign investments - Kazakhstan and Turkmenistan managed to attract substantial amounts of foreign direct investment and have entered the ranks of the top investment destinations in the Asian continent and the world (ADBI, 2014). Those most willing to invest in these countries seek natural resources (e.g., energy

and metals) and new markets in non-tradable sectors (e.g., real estate development and retail). Further, the foreign direct investment provides essential infrastructure facilities to the developing countries (host countries) such as capital, technology, managerial skills, entrepreneurial ability, brands, and market access. These are essential for developing countries to industrialize, create jobs, enhance entrepreneurial intention and eliminate poverty (Athukorala, 2013).

On the other hand, Kevin Williams (2015) analyzed whether Latina American and Non-Latina American countries differ in determinants of foreign direct investment inflows. His main findings suggest that infrastructure stock attracts foreign direct investment inflows to Latina American countries. At the same time, high debt discourages foreign direct investment inflows to non-Latina American countries. However, some researchers, such as Keshmeer Kanewar MAKUN (2016), found that domestic growth and trade openness significantly impact foreign direct investment inflow. However, there is a negative impact on the exchange rate, GDP per capita, and political instability on foreign direct investment inflows in the Fiji Islands. The author also observed that infrastructure development, inflation, and financial markets have no impact on foreign direct investment inflows. Ali N. Azad (2017) investigated the role of the five widely recognized macroeconomic determinants in attracting foreign direct investment inflows to the Gulf Cooperation Council countries in 2002-2014. His test results did not support the hypothesized positive relations between level of inflation, good governance, economic growth/market size, and ease of doing business towards the level of foreign direct investment inflows to the Gulf Cooperation Council countries.

## Objectives

The study's main objective is to determine the impact of foreign direct investment on unemployment and economic Growth in Tajikistan. To examine ways that this may be achieved, for example, the creation of new jobs, what the increase of income per population should be, what the price and quality of services should be, provision of the necessary conditions in order to reduce high levels of competition to ensure a free, sufficient economy and to provide funding for social protection, health, sports, culture, reduce unemployment, the state budget, and other necessities.

To suggest the Policymakers formulate a better policy framework in the foreign direct investment to enhance the economic growth and reduce the unemployment in the developing countries.

## Research Question:

Following Research questions have been formulated in this study

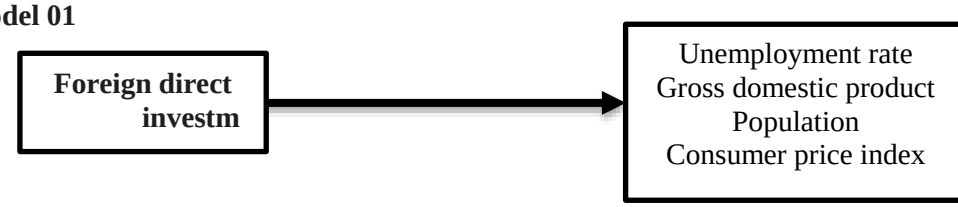
To what extent does Foreign Direct Investment influences unemployment?

Data Sources

- National bank of Tajikistan
- World Bank
- The data that will be used were obtained from the World Development Indicators (2015).

Methodology

**Model 01**




**Model 02**


The following conceptual model is established, in which variables as Foreign Direct Investment and Unemployment are focused as a predictor and explanatory variables. Further, based on the research questions and objectives of the study, the studies constructed the two research models.

In Models, One Foreign Direct Investment is considered the independent variable, and in Model two, unemployment is viewed as the dependent variable.

$$Yt = \boldsymbol{\beta_0} + \boldsymbol{\beta x_t} + \boldsymbol{\beta x_t} + \boldsymbol{\beta x_t} + \boldsymbol{\beta x_t} + \boldsymbol{\varepsilon_t}$$

Where Yt = Growth Domestic Product in period t

## Hypotheses Development

Based on the above conceptual framework and the study, we come up with the following hypotheses; There is a significant long-run relationship between foreign direct investment and Unemployment in Tajikistan, which impacts the sustainable growth of the economy, which contributes directly to the Growth Domestic Product.

Here is Model One will resemble the following structure:

Foreign Direct Investmentt = $\boldsymbol{\beta_0} + \boldsymbol{\beta}$Consumer Price Index $_t$ + $\boldsymbol{\beta}$Unemployment$_t$ + Total Population$_t$ + $\boldsymbol{\beta gdp_t} + \boldsymbol{\varepsilon_t}$

βo = Intercept

FDIt = Foreign Direct Investment in period t

CPIt = Consumer Price Index (Inflation) in period t

UNEt = Unemployment in period t

POPt = Total Population in period t

GDPt = Gross Domestic Product in period t

εt = Error Term

## Model Two:

Unemployment t = $\boldsymbol{\beta_0}$ + Total Population $_t$ + $\boldsymbol{\beta}$Gross Domestic Product$_t$ + Foreign Direct Investment$_t$ + $\boldsymbol{\beta}$Consumer Price Index$_t$ + $\boldsymbol{\varepsilon_t}$

## Data collection and Sample

Secondary data is collected from the Central bank reports of Tajikistan, and the World Bank will be utilized in this study. Further, this study is conducted from the Tajikistan perspective, especially on foreign direct investment, economic growth, and unemployment. Data on foreign direct investment, economic growth, and unemployment from 1967 to 2017 will be collected for the study purpose.

## Data analysis method

In this study, the decreases in unemployment regarding population, as a direct result of or due to the likely increase of Foreign Direct Investment rate in USA Dollar Million, and unemployment in terms of the unemployment rate are identified as variables and its measurements. Various statistical methods will be employed to conclude the data series. The Unit Root Test will be applied to see the stationary of the series at the level and the first difference test by using STATA. Regression analysis will be conducted to determine the impact of foreign direct investment on unemployment. Further, the Cointegration test will be utilized to find the long-run relationship between Foreign Direct Investment and unemployment rate in this study I will do by STATA 15.

## EMPIRICAL, RESULTS, AND INTERPRETATION

Presents the results of analyzed time series using tables. It contains the response rate, descriptive statistics, and correlation analysis of the data. This part also presents the regression model results and interprets the research findings.

### Analysis of Data and Presentation of Findings

### Response Rate

The empirical findings of our regressions are presented in this portion of the publication. It is also vital to provide precise explanations and interpretations of the results. This section investigates the influence of foreign direct investment on unemployment in Tajikistan, using a time series analysis for a sample of Tajik regions from 1967 to 2017. The principal regression model was covered in the preceding section. Nonetheless, in order to avoid producing misleading findings, we will evaluate alternative regression models.

### Summary of Descriptive Statistics

Descriptive statistics were utilized to summarize collected data in terms of mean, standard deviation, maximum values, and minimum values

### Regressions – Model One

Summary: foreign direct investment, consumer price index, unemployment rate, population, growth domestic product model one

### Table 1: Descriptive Statistics

| *Variable* | *Observations* | *Mean* | *Standard. Deviation.* | *Minimum* | *Maximum* |
|---|---|---|---|---|---|
| **Foreign Direct Investment** | 50 | 7. 719903 | 0.4283385 | 7 | 8.439805 |
| **Consumer price index** | 50 | 5.347265 | 6.299298 | 1.2 | 38.59189 |
| **Unemployment rate** | 50 | 5.086643 | 1.485511 | 2.972814 | 8 |
| **population** | 50 | 6.717295 | 0.1481038 | 6.439474 | 6.95043 |
| **growth domestic product** | 50 | 8.120791 | 1.410872 | 6.27323 | 9.965499 |

Results of summary show average Foreign Direct Investment 7.719903 with maximum and minimum Foreign Direct Investment being 8.439805 and 7 respectively. The result also shows that the Foreign Direct Investment standard deviation is 0.4283385. The findings indicate that the average Consumer price index is 5.347265 with minimum and maximum values of 38.59189 and 1.2. Respectively the standard deviation of the Consumer price index is 6.299298 from 50 observations. The findings indicate that the average Unemployment rate is 5.086643 with minimum and maximum values of 8 and 2.972814; respectively, the standard deviation of the Unemployment rate is 0.1481038 from 50 observations. The findings indicate that the average population is 6.717295 with minimum and maximum values of 6.9504 and 6.439474; respectively, the population's standard deviation is 0.1481038 from 50 observations. The findings indicate that the average growth domestic product is 8.120791 with minimum and maximum values of 9.965499 and 6.27323. Respectively the standard deviation of the domestic growth product is 1.410872 from 50 observations.

The result of regression: foreign direct investment, consumer price index, unemployment rate, population, growth domestic product model one

## Table 2: Regression Results

| **Source** | **Set of Squares** | **Degree of Freedom** | **Mean Square** | **Number of obs.** | | =50 |
|---|---|---|---|---|---|---|
| | | | | F( 4, 45 ) | | =1249.34 |
| **Model** | 8.90992 | 4 | 2.227498 | Prob > F | | =0.0000 |
| **Residual** | 0.080231974 | 45 | 0.0017833 | R-squared | | =0.9911 |
| | | | | Adj R-squared | | =0.9903 |
| **Total** | 8.99021989 | 49 | 0.183473875 | Root MSE | | =0.04222 |
| **FDI** | Coef. | Std. Err. | t | P>\|t\| | [95% Conf. Interval] | |
| **CPI** | 0.001959 | 0.0011923 | 1.61 | 0.115 | -0.0004854 | 0.0043172 |
| **Unemployment rate** | 0.12291 | 0.07272 | 1.69 | 0.098 | -0.0235025 | 0.2694287 |
| **Population** | 3.70563 | 0.71561 | 5.18 | 0.000 | 2.264326 | 5.14698 |
| **GDP** | 0.04043 | 0.01249 | 3.25 | 0.002 | 0.0154231 | 0.0655094 |
| **cons** | -18.13639 | 5.173307 | -3.51 | 0.001 | -28.55597 | -7.716817 |

So the result of regression shows that the R-square within and between is 0.9911 and 0.0933, respectively. However, the table shows that the overall R-sq is 0.04222, which indicates that the independent variables in the study explain 1% of the dependent variable, the rest 99% is unexplained by the independent variables in the study, which indicates that further study is required for other independent variables to fulfil the 99% variables unexplained by the independent variables in the study.

## The independent variables for regression result model one

Consumer Price Index: from the above table, we can see that the coefficient value of the Consumer Price Index is 0.001959, and the standard deviation is 0.0011923. The Consumer Price Index coefficient value shows a negative value, and it significantly affects the Foreign Direct Investment in Tajikistan at a 1% significant level. So we accept the null hypothesis, i.e. Consumer Price Index has a negative effect on Foreign Direct Investment in Tajikistan. Unemployment rate: from the above table, we can see that the coefficient value of unemployment is 0.12291, and the standard deviation is 0.07272. The coefficient value of the Unemployment Rate shows a negative value, and it significantly affects the Foreign Direct Investment in Tajikistan at a 1% significant level. So we accept the null hypothesis, i.e. Unemployment rate has a negative effect on Foreign Direct Investment in Tajikistan. Population: from the above table, we can see that the coefficient value of the population is 3.70563, and the standard deviation is 0.71561. The coefficient value of population shows a negative value, and it significantly affects the Foreign Direct Investment in Tajikistan at a 1% significant level. So we accept the null hypothesis, i.e. population has a negative effect on Foreign Direct Investment in Tajikistan. Growth Domestic Product: from the above table, we can see that the coefficient value of Growth Domestic Product is 0.04043, and the deviation is 0.01249. The coefficient value of Growth Domestic Product shows the negative value, and it significantly affects the Foreign Direct Investment in Tajikistan at a 1% significant level. So we accept the null hypothesis, i.e. Growth Domestic Product has a negative effect on Foreign Direct Investment in Tajikistan.

The result of correlation: foreign direct investment, consumer price index, unemployment rate, population, growth domestic product

(Observations =50)

### Table 3: Correlation Matrix

| | **FDI** | **CPI** | **Unemployment** | **population** | **GDP** |
|---|---|---|---|---|---|
| **FDI** | 1.0000 | | | | |
| **CPI** | 0.4990 | 1.0000 | | | |
| **Unemployment rate** | -0.9917 | 0.5024 | 1.0000 | | |

| | | | | | |
|---|---|---|---|---|---|
| **Population** | 0.9941 | 0.4826 | 0.9981 | 1.0000 | |
| **GDP** | 0.9472 | 0.5005 | 0.9383 | 0.9365 | 1.0000 |

## Correlation analysis model one

The result of correlation analysis shows that Consumer Price Index and Foreign Direct Investment has a negative relationship, i.e. when the consumer price index increased by 0.4990, the value of Foreign Direct Investment also increased by 1 and when the consumer price index decreased by 0.4990 at the same amount the value of Foreign Direct Investment also decreased. The unemployment rate and Foreign Direct Investment have a positive relationship i.e. when unemployment increased by -0.9917 the value of Foreign Direct Investment decreased by 1. When unemployment decreased by -0.9917 at the same amount, the value of Foreign Direct Investment also increased. Population and Foreign Direct Investment had an antagonistic relationship, i.e. when the population increased by 0.9941, the value of Foreign Direct Investment decreased by 1. When the population decreased by 0.9941 at the same amount, the value of Foreign Direct Investment also increased. Growth Domestic Product and Foreign Direct Investment had a negative relationship, i.e. when Growth Domestic product spending increased by 0.9472, the value of Foreign Direct Investment decreased by 1, and when government spending decreased by 0.9472 at the same amount, the value of Foreign Direct Investment increased.

The result Regressions – Model Two

Result of summary: unemployment, population, growth domestic product, foreign direct investment, consumer price index.

## Table 4: Descriptive Statistics

| *Variable* | *Observation* | *Mean* | **standard deviation** | **minimum** | **maximum** |
|---|---|---|---|---|---|
| **Unemployment** | 50 | 5.086643 | 1.485511 | 2.972814 | 8 |
| **Population** | 50 | 6.717295 | 0.1481038 | 6.439474 | 6.95043 |
| **GDP** | 50 | 8.120791 | 1.410872 | 6.27323 | 9.965499 |
| **FDI** | 50 | 7.719903 | 0.4283385 | 7 | 8.439805 |
| **CPI** | 50 | 5.347265 | 6.299298 | 1.2 | 38.59189 |

The summary results show average Unemployment 5.086643, with maximum and minimum unemployment being 8 and 2.972814, respectively. The result also

shows that the standard deviation of unemployment is 1.485511 from 50 observations. The findings indicate that the average population is 6.717295 with minimum and maximum values of 6.95043 and 6.439474, respectively; the standard deviation is 0.1481038 from 50 observations. The findings indicate that the average Growth Domestic Product is 8.120791 with minimum and maximum 9.965499 and 6.27323, respectively. The standard deviation of the Growth Domestic Product is 0.1481038 from 50 observations. The findings indicate that the average foreign direct investment is 7.719903 with minimum and maximum values of 8.439805, and the standard deviation of the foreign direct investment is 0.4283385 from 50 observations. The findings indicate that the average Consumer price index is 5.347265 with minimum and maximum values of 38.58189 and 1.2, the standard deviation of the consumer price index is 6.299298 from 50 observations.

Result of unemployment, population, growth domestic product, foreign direct investment, and consumer price index model shown in table 5

## Table 5: Regression Results

| **Source** | **Set of Squares** | **Degree of freedom** | **Mean Square** | **Number of obs.** | | =50<br>=3826.05<br>=0.0000<br>=0.9971<br>=0.9968<br>=0.08393 |
|---|---|---|---|---|---|---|
| | | | | F( 2, 47 ) | | |
| **Model** | 107.813343 | 4 | 26.9533357 | Prob > F | | |
| **Residual** | 0.317011273 | 45 | 0.00704469<br>5 | R-squared | | |
| | | | | Adj R-squared | | |
| **Total** | 108.130354 | 49 | 2.20674192 | Root MSE | | |
| **Unemployment** | Coef. | Std. Err. | t | P>\|t\| | [95% Conf. Interval] | |
| **Population** | -10.93022 | 0.7578012 | -14.42 | 0.000 | -12.45651 | -9.403931 |
| **GDP** | -.0382967 | 0.026871 | -1.43 | 0.161 | -0.0924176 | 0.0158242 |
| **FDI** | 0.4858498 | 0.28733 | 1.69 | 0.098 | -0.0928625 | 1.064562 |
| **CPI** | -0.0066468 | 0.0022265 | -2.99 | 0.005 | -0.0111311 | -0.0021625 |
| **cons** | 75.10399 | 3.046371 | 24.65 | 0.000 | 68.96828 | 81.23969 |

The result shows that the R-square within and between is 0.9971 and 0.9968. However, the table shows that the overall R-sq is 0.08393, which indicates that the independent variables in the study explain 1% of the dependent variable, the rest 99% is unexplained by the independent variables in the study, which indicates that further study is required for other independent variables to fulfil the 99% variables unexplained by the independent variables in the study.

## The explanations independent variables for regression result model two

Population: from the above table, we can see that the coefficient value of the population is -10.93022, and the standard deviation is 0.7578012. The coefficient value of population shows a positive value, and it significantly affects the Unemployment in Tajikistan at a 1% significant level. So we accept the null hypothesis, i.e. population has a positive effect on Unemployment in Tajikistan. Growth domestic product: from the above table, we can see that the coefficient value of Growth Domestic Product is -.0382967, and the standard deviation is 0.026871. The coefficient value of Growth domestic product shows the positive value, and it significantly affects the Unemployment in Tajikistan at a 1% significant level. So we accept the null hypothesis, i.e., growth domestic product positively affects Unemployment in Tajikistan. Foreign direct investment: from the above table, we can see that the foreign direct investment coefficient value is 0.4858498, and the standard deviation is 0.28733. The coefficient value of foreign direct investment shows a negative value, and it significantly affects the Unemployment in Tajikistan at a 1% significant level. So we accept the null hypothesis, i.e., foreign direct investment negatively affects Unemployment in Tajikistan. Consumer price index: from the above table, we can see that the coefficient value of the Consumer Price Index is -0.0066468, and the standard deviation is 0.0022265. The Consumer Price Index coefficient value shows a positive value, and it significantly affects the Unemployment in Tajikistan at a 1% significant level. So we accept the null hypothesis, i.e. Consumer Price Index has a positive effect on Unemployment in Tajikistan,

Result of Correlation analyses: Unemployment, Population, Growth domestic product, foreign direct investment, Consumer price index (Observation=50)

**Table 6: Correlation Matrix**

| | Unemployment | Population | GDP | FDI | CPI |
|---|---|---|---|---|---|
| **Unemployment** | 1.0000 | | | | |
| **Population** | -0.9981 | 1.0000 | | | |
| **GDP** | -0.9383 | 0.9365 | 1.0000 | | |
| **FDI** | -0.9917 | 0.9941 | 0.9472 | 1.0000 | |
| **CPI** | -0.5024 | 0.4826 | 0.5005 | 0.4990 | 1.0000 |

## Explanation of the result of Correlation analysis model two

The result of correlation analysis shows that Population and Unemployment has a positive relationship, i.e. when the population increased by -0.9981, the value of unemployment decreased by 1. When the population decreased by -0.9981 at the same amount, the value of unemployment also increased. Growth domestic product and unemployment have a positive relationship i.e. when Growth domestic product spending increased by -0.9383 the value of unemployment decreased by 1. When growth domestic product decreased by -0.9383 at the same amount, the value of unemployment increased. Foreign direct investment and unemployment have a positive relationship i.e. when unemployment increased by -0.9917 the value of Foreign direct investment decreased by 1. When unemployment decreased by -0.9917 at the same amount, the value of Foreign direct investment also increased. Consumer price index and unemployment have a positive relationship, i.e. when the Consumer price index increased by -0.5024, the value of unemployment also increased by 1, and when the Consumer price index decreased by -0.5024 at the same amount, the value of unemployment also decreased.

## OBS:

In both models, one and Two – Unemployment seems to decrease when we increase the foreign direct investment; which clearly satisfies our initial hypothesis that foreign direct investment has an adverse impact on unemployment. In the Correlation Tables (correlation and Model Two), we see that regardless of which variable we consider as the dependent variable, each time they correlated negatively.

## Conclusion

Model One Regression result tells us that foreign direct investment directly correlates to Growth domestic product. It also has very high Significance in its

correlation with Growth domestic product; its P>|t| value is 0.123%; Then, in Model Two, the regression tells us that Foreign direct investment also has a direct Correlation with Unemployment; also a very high Significance in its correlation with unemployment; its P>|t| value is 0.000% Despite this topic being very new in Tajikistan, it was very interesting and a great learning experience to run regressions and perform empirical analysis on this subject.

Effects of Foreign direct investment are analysed theoretically in Tajikistan, and few papers have been done using empirical analysis. Besides of analysis of foreign direct investment on economic growth, we also conclude that foreign direct investment holds a positive impact on unemployment, which in turn has a positive impact on the economy of Tajikistan. As noted in the early stages of the historical breakdown of the country's economic development, there was no visible growth when Tajikistan was under Soviet Union's control. Then soon after Independence, in 1991, we witnessed an explosion of economic diversification. For example, infrastructure and various industries exist due to foreign direct investment. Large groups of the population that were once living below the poverty line, can finally become integrated into the middle class and at least the lower-middle or working class. Due to foreign direct investment, many citizens of Tajikistan became eligible to pursue other diverse methods of earning a decent wage income; instead of the once closed and narrow-headed structured economy of Agriculture.

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