DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN FIVE WEST AFRICAN COUNTRIES

BY

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ABSTRAK

ABSTRACT

This study examines the determinants of foreign direct investment inflows (FDI) in West African Countries (WACs) for the period 1998 - 2013. Analysis of the study used secondary data which obtained from World Bank Development indicators, World Bank Governors Indicators, United Nations Conference on Trade and Development, Transparency International, and Heritage Foundation. In this study, Dunning’s (1980) eclectic paradigm was used but with modification to include some additional variables. Empirically, Fixed Effects Model (FEM) was suggested by the results of Hausman’s specification test as a preferable model in the estimation. The finding shows that corruption does not influenced the level of FDI inflows into WACs. Specifically, foreign investors were rather discouraged by both corruption and poor regulatory institutions. Other factors like market size, inflation and trade openness of the economy were also found to be positively significant. The findings suggests that governments in WAC need to reform their institutions in order to attract more FDI and benefited from the positive spill overs that accompany FDI inflow into a country. With regards to FDI determinants, the empirical result indicates that the domestic country potential market demand and trade openness are the main determinants of FDI inflows in WACs.
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<td>COC</td>
<td>Control of Corruption</td>
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<td>CPI</td>
<td>Corruption Perception Index</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>FDI</td>
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<td>GDP</td>
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<td>TI</td>
<td>Transparency International</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>US</td>
<td>United States</td>
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<td>SSA</td>
<td>Sub-Saharan Africa</td>
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<td>VAR</td>
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<td>vif</td>
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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter consists introduction, background of the study, problem statement which followed by research questions. The discussion of this chapter also comprises objectives of the study, and then scope of the study.

1.2 BACKGROUND OF THE STUDY

Foreign direct investment (FDI) is a forum through which transfers of new technology, global markets, increase in competition, human resources formation, employment, economic growth and development could be achieved (Anyanwu, 2006). This is especially for the developing economies. During the 1990s, FDI became the major external source of financing for the most economies (Alemu, 2013). Ultimately, FDI is viewed as an essential fuelling channel for raising required capital at a critical time as an assets or a means of financing during deficit. FDI is defined as an investment made to get an ownership interest of 10 per cent in the voting stock in a business undertaking operating in a country other than that of investor (World Bank, 2014).

FDI is perceived to have valuable impacts on local firms and economy as a whole by encouraging technological and managerial skills, international export and import by developing economies and creating opportunities for jobs (Javorcik 2004; Liu, 2008 & Kinda 2014). It has been noted that FDI has helped several countries when they faced economic hardship. For instance, during the Asian financial crisis in
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REFERENCES


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