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Factors Affecting Foreign Direct Investment Decisions Among International Companies Investing In Kenya: A Case Study Of Coca Cola Bottlers Mombasa

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Abstract- Foreign Direct Investment (FDI) plays a crucial role to speed up the development and economic growth of a country. In particular, developing countries rely heavily on FDI to promote their economy as they face capital shortage for their development process. FDI not only brings in capitals and technology, but also skills into developing countries. And this end is to help the countries grow faster by satisfying the country's needs. The main aim of this study is to explore and determine the factors affecting foreign direct investment decisions among International companies investing in Kenya, find ways in which (FDI) foreign direct investment contributes to the development of Kenyan economy and finally to determine the strategies to attract and retain foreign direct investments in Kenya. The study analysed critically both the theoretical and empirical reviews of the available data before conducting the study to ensure the viability of the study.

The study adds to the discussion on a firm's economic rationale for FDI by analyzing to what extent decision-makers are influenced by their quest for legitimacy and their need to mitigate risk. The economically oriented FDI research addresses the economic rationale of foreign investments, and the institutional perspective helps to explain the extent to which these FDI decisions are influenced by the firm's striving for legitimacy and its quest for mitigating the uncertainty associated with investments in foreign markets.A descriptive research was used. These kinds of studies are means of discovering new meaning, describing what exists, its frequencies and the categorizing information. Stratified random sampling technique was used to select a sample size of 50 employees out of a total workforce of 200 employees from the various departments so as to enable the researcher get a fair representation of the target population. The study analysed critically both the theoretical and empirical reviews of the available data before conducting the study to ensure the viability of the study.

Index Terms- Foreign direct investment ,Order Processing Speed ,Official development assistance ,Cost Reduction

I. INTRODUCTION

Traditionally, research on foreign direct investment (FDI) has focused on a Company's economic motives for international expansion, such as the attractiveness of markets (Caves 1971; Davidson 1980; Gripsrud and Benito 2005), the behavior of competitors (Knickerbocker 1973; Graham 1978), and productive efficiency (Brainard 1997; Markusen and Maskus 2002). More recently, researchers have started to draw on institutional theory to show that social influence factors also play an important role for FDI decisions (Henisz and Delios 2001; Guillen 2002). Although both streams of research provide valuable information on the factors that influence a firm's FDI decision, each stream sheds light on only a part of the picture.

To obtain a more fine-grained understanding of FDI decisions, in this study we combine and contrast central elements of the economic perspective and of the institutional perspective on FDI.A large body of research analyzes FDI from an economic perspective. Traditional FDI theory (e.g., Rugman 1986, or Caves 1971) predicts that firms will invest in foreign markets in order to generate rents by exploiting firm-specific capabilities (e.g., products and knowledge). Furthermore, FDI enables firms to strengthen their strategic position by gaining more favourable access to scarce resources like labour, knowledge etc. (Chen and Chen 1998). While manufacturing firms typically seek to exploit advantages in production costs and access to scarce resources, firms in other industries may be attracted by high rates of as yet unsaturated demand (Gripsrud and Benito 2005). Consequently, the attractiveness of the labour and product markets and market accessibility are economic factors that influence FDI.

International Companies Investing in Kenya

In contrast to an economic approach, FDI research conducted from an institutional perspective has lagged behind. A few recent studies show that FDI decisions are also affected by the firms' inter-organizational relations with relevant peers. (Martin, Swaminathan, and Mitchell 1998) find that the relations between suppliers and domestic buyers, competitors, and non-competing suppliers have an impact on the occurrence and timing of foreign market entries. (Henisz and Delios 2001 and Guillen 2002) show that firms imitate the risky FDI decisions of peers in their industry or business group. These papers represent additions to economic explanations of FDI, since they clarify the ways in which international expansion moves are influenced either by a firm's inter-organizational relations within its domestic market, or more generally by the firm's embeddedness in a social context.

According to research in institutional theory, imitation of peers is not aimed at gaining economic rents, but at enhancing the firm's legitimacy and at decreasing the uncertainty associated with risky strategic decisions (Cyert and March 1963; DiMaggio and Powell 1983).We assume that both the economic and the institutional perspectives highlight important aspects of a firm's FDI decision. Therefore, we combine and compare the arguments of these two perspectives both theoretically and empirically. However, the two perspectives share some common ground, since both perspectives account for the phenomenon of parallelism in firm behaviour. Under the economic perspective, firms that optimize independently are attracted by the economic rents a country's market offers, and several firms may follow the same allures. From the institutional perspective, the same mimetic FDI decisions might be caused by the firm's striving for legitimacy within its organizational field. To account for the described similarity in mimetic effects, we start our analysis by exploring those factors that we can easily attribute to either the economic or the institutional perspective. We then describe the common ground between both approaches. To test our hypotheses empirically, we examine German FDI in 21 former Warsaw Pact countries between 1990 and 2003. After the fall of communism in 1990, a whole set of markets opened up to foreign investors. Several of these markets offered cheap resources and unmet demands, so they seemed highly attractive for FDI. However, uncertainty about the viability of such investments was particularly high, because FDI by Western firms was virtually nonexistent in these markets under the communist regime. Although some information on the general political, economic, and social environment of these markets was probably available during the period of our study, it was very difficult to find individuals or entities with rich, first-hand experience.

The study adds to the discussion on a firm's economic rationale for FDI by analyzing to what extent decision-makers are influenced by their quest for legitimacy and their need to mitigate risk. While we do not attempt to provide a comprehensive view on FDI, the combination of economic and institutional arguments does make it possible for us to describe the different characteristics of the same strategic decision from two important perspectives. The economically oriented FDI research addresses the economic rationale of foreign investments, and the institutional perspective helps to explain the extent to which these FDI decisions are influenced by the firm's striving for legitimacy and its quest for mitigating the uncertainty associated with investments in foreign markets. Second, the paper shows that both the economic and the institutional perspectives on FDI explain the same empirical phenomenon of the parallel behaviour of firms.You find that in line with the respective theoretical perspective, the reasons for this parallel behaviour are either linked to an economic rationale or to an institutional rationale. The common ground between the two perspectives highlights the necessity to include both perspectives in any analysis of FDI decisions. Otherwise, the explanatory power of one of the perspectives may be overrated. Third, by combining a theoretical analysis with empirical tests we are able to provide preliminary evidence about the actual explanatory power of the economic and institutional triggers for FDI. Our results indicate that both approaches have a complementary share in explaining the FDI of German firms in Eastern European markets. For economic reasons, the attractiveness of labour markets is an especially important trigger for FDI. From the institutional perspective, prior FDI decisions by prestigious peers play an important role.

Statement of problem

Kenya is currently under pressure to attract foreign investors to directly invest in major projects such as the LAPSSET, Machakos city to name but a few that will help the country transform the country from a low income to a middle income country by 2030. The Jubilee government also wants to deliver on its manifesto by growing the economy by two digits to guarantee re-election come the year 2017.The growth in foreign direct investment (FDI) has been phenomenal in the last three decades. Prior to the recent economic and financial crisis, global FDI had risen to an all-time peak to reach $1,833 billion in 2007 well above the previous time all high set in 2000. The production of goods and services by an estimated 79,000 multinational corporations and their 790,000 foreign affiliates continued to expand with their FDI stock exceeding $15 trillion in 2007. Interpretation of these trends are commonly infused with much enthusiasm as growth is believed to be the single most important factor affecting poverty reduction and therefore FDI is central in achieving this objective.

Many developing countries have developed a renewed interest in FDI as a source of capital due to the decline in official development assistance (ODA). FDI usually represents a long-term commitment to the host country and can contribute significantly to gross fixed capital formation in developing countries. FDI has several advantages over other types of capital flows, in particular its greater stability and the fact that it would not create obligations for the host country. In addition to being a source of capital, FDI has other potential benefits to host countries which include technology transfer, new management skills, market know how and job creation. FDI can also be potentially harmful to host economies if results in resource exploitation, pollution, abuse of market power among other problems. Negative consequences of FDI can be avoided with proper regulation.

These real world trends have led to substantial recent interest various disciplines to empirically investigate the fundamental factors that drive the FDI behaviour. There are many theories and studies that have been conducted on FDI determinants. The different approaches do not necessarily replace each other but explain different aspects of the same phenomenon. All these studies point to the fact that no single theory can explain FDI drivers. Most of the studies rely on secondary data and therefore tend to be macro in nature. This study however takes a different approach and utilizes a firm survey data in order to explore the main FDI factors in Kenya. (King'ang'i, 2003) Kenya has had a long history with foreign firms. However over the years, Kenya lost its appeal to foreign firms a phenomenon that has continued to the present. In 2008, Kenya launched vision 2030 where it hopes to achieve global competitiveness and prosperity of the nation. This initiative has seen a renewed commitment to attract FDI to assist in the industrialization process.

The purpose of this study is to identify and analyse the factors affecting foreign Direct Investment decisions among International companies investing in Kenya. Most of FDI in Kenya is export oriented and market seeking. The most important FDI determinants are market size in Kenya as well as within the region, political and economic stability in both Kenya and its neighbours and bilateral trade agreements between Kenya and other countries. (Lemi, 2005). Although many studies have been done in the area of FDI, a significant number of them are international, conducted in counties such as Saudi Arabia, Malaysia, (Kayonga, 2008 and Kurui, 2008). Those carried out in Kenya focus more on the contributions of FDI in economic development rather than the factors affecting foreign direct investment. This study therefore comes in to fill in the deficiencies in the previous research.

General Objective of the study

The main objective of the study is to determine the factors affecting foreign direct investment decisions among international companies investing in Kenya.

Research Questions

To help the researcher form informed conclusions, the study seeks to answer the following questions:

i. How does resource allocation influence decision to invest in Kenya?
ii. How do regulatory policies affect foreign direct investors deciding to invest in Kenya?
iii. How has corruption interfered with foreign investors in their decision to invest in Kenya.
iv. What are the contributions of technologies among Foreign Direct Investors on their decision to invest in the Kenyan economy?
v. How has insecurity affected Foreign Direct Investors on their decision to invest in Kenya?

II. RELATED LITERATURE

Theoretical review

The researcher reviewed present theories and other studies which were carried out by different researchers both in Kenya and international in relation to foreign direct investments to form a strong basis for the study. All the relevant theories and studies were analysed and critiques were made.

Production Cycle Theory

According to Dunning J.H (1993) theory of production cycle implies that there are four stages in the production cycle that is innovation, growth, maturity and decline. According to the theory of the production cycle, after the Second World War in Europe has increased demand for manufactured products like those produced in USA. Thus, American firms began to export, having the advantage of technology on international competitors. If in the first stage of the production cycle, manufacturers have an advantage by possessing new technologies, as the product develops also the technology becomes known. Manufacturers will standardize the product, but there will be companies that you will copy it. Thereby, European firms have started imitating American products that U.S. firms were exporting to these countries. US companies were forced to perform production facilities on the local markets to maintain their market shares in those areas.

The Theory of Exchange Rates on Imperfect Capital Markets

According to Itagaki (1981) and Cushman (1985) analyzed the influence of uncertainty as a factor of FDI. In the only empirical analysis made so far, Cushman shows that real exchange rate increase stimulated FDI made by USD, while a foreign currency appreciation has reduced American FDI. Cushman concludes that the dollar appreciation has led to a reduction in U.S. FDI by 25%. However, currency risk rate theory cannot explain simultaneous foreign direct investment between countries with different currencies. The sustainers argue that such investments are made in different times, but there are enough cases that contradict these claims.

The Internalization Theory

This theory tries to explain the growth of transnational companies and their motivations for achieving foreign direct investment. The theory was developed by (Buckley and Casson 1976) and then by (Hennart,1982 and Casson, in 1983). In his Doctoral Dissertation, Hymer identified two major determinants of FDI. One was the removal of competition. The other was the advantages which some firms possess in a particular activity Buckley and Casson, who founded the theory demonstrates that transnational companies are organizing their internal activities so as to develop specific advantages, which then to be exploited. Internalization theory is considered very important also by Dunning, who uses it in the eclectic theory, but also argues that this explains only part of FDI flows. Hennart Hymer is the author of the concept of firm-specific advantages and demonstrates that FDI take place only if the benefits of exploiting firm-specific advantages outweigh the relative costs of the operations abroad. According to (Hymer 1976) the MNE appears due to the market imperfection that leads to a divergence from perfect competition in the final product market. Hymer has discussed the problem of information cost for foreign firs respected to local firms, different treatment of government, currency risk.

The eclectic paradigm of Dunning

This theory developed by Prof. Dunning is a mixture of three different theories of direct investments (O-L-I) with the intension to provide a holistic frame work of identifying and evaluating of the factors influencing the initial act of foreign production by an enterprise and the growth of such production (Cyert and March 1963).The word eclectic was used to convey the idea that a full explanation of the transitional activities of enterprise needs to draw upon several strands of economic theory; and that foreign direct investments is just one of a number of possible channels of international economic involvement, each of which is determined by a number of common factors.

Empirical review

According to Nyamwange (2007) Foreign direct investments in Kenya, the objectives of the study were to identify the key factors that influence FDI decisions in Kenya and to explore the empirical relationship between FDI and economic growth in Kenya. The findings of the study indicated that the main determinants of FDI in Kenya are market size (proxied by GDP), stable macroeconomic policies and a level of human capital that is tolerable by investors. The not significant relationship of human capital to overall economic growth suggests that there is a shortage of skilled labour in the Kenya (DiMaggio and Powell 1983). The researcher concluded that FDI in Kenya induces the nation’s economic growth. Although the

overall effect of FDI on the whole economy may not be significant, the components of FDI positively affect economic growth and therefore FDI needs to be encouraged. Secondly greater policy sensitivity towards the openness of the economy is needed so that the traded commodities will be beneficial to the economy as a whole. There is need for guided training and integration of the human resources of the country to enable them to contribute positively to economic growth wherever they find themselves employed either with foreign or with indigenous firms and whichever sector they are in. The need for training high quality personnel in the country cannot be overemphasized.
According to Karim (2012) Factors affecting foreign direct investments in Malaysia. Karim examined the factors affecting foreign. The study seeks to examine the effects of market demand, labor productivity, socio-economic development and provision of industrial estates on foreign direct investment (FDI) across 13 states and 1 federal territory in Malaysia. The researcher concluded that five explanatory variables were very in an estimated FDI model and all were found significant in influencing FDI inflows in the expected positive direction.

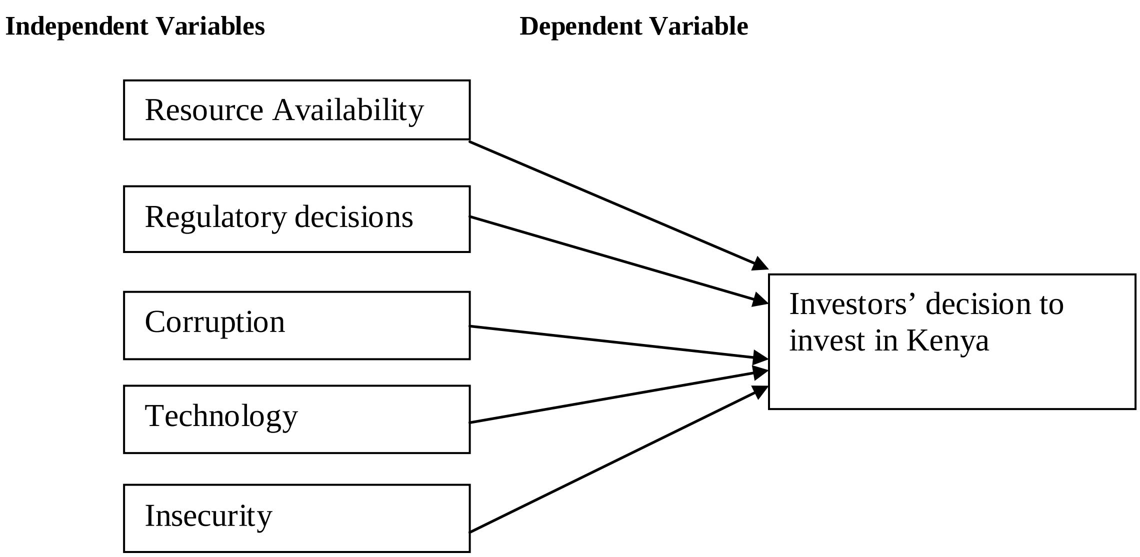
Among these variables, the elasticity of FDI inflows with respect to labor productivity and GDP are high. Raising labor productivity in a state appears the most cost-effective approach for the state government to increase FDI inflows in the short to medium term. In addition, focusing infrastructural development more sharply through industrial estates is needed. In order to increase market demand for output in a state, the development policy of the Malaysian Government is to improve the capability of the state citizens to purchase more consumption goods and services in their state market. To achieve this, narrowing the gaps in development indicators, particularly per capita GDP, between groups of societies and between rural and urban areas in the state is an important strategy. Individuals themselves need to make more efforts towards improving their work performance in economy so that they can improve their living standards.

According to Nourbakhshian et al (2012), the contribution of foreign direct investment into home country's development. The study seeks to examine the benefits of foreign direct investment, the impacts of foreign direct inventments on economic growth and there impact on international trade. From the findings of the study the reseacher conclude that that FDI has a positive impact on the economic growth in the receiving countries.They showed that many countries like China, India and Uk use FDI as a advanced business for making economicgrowth. FDI can be conspicuous source for productivity growth and swifter transformation process in transitioncountry. On the other hand, sometimes FDI theoretically cause both positive and negative spillover effects to thehost country.

In general ,a multinational companys decision to develop production to another is driven by lower cost and higher deficiency consideration. In the host countries, the benefit of FDI are not limited to promote useof its sources, but also branch from the introduction of new processes to domestic market, learning-by-observing,networks, training of the labour force, and other spillovers and externalities. Due to the "growth - development" benefits FDI assumes to conduct, different countries and places have followed active policies to attract FDI. Mostcountries, including both developed and various nations which named as emerging nations, have organizedinvestment agencies, and have strategic that include both fascial and financial incentives to attract FDI as well asother that pursue to improve the local regulatory environment and the cost of doing business.In many empirical evidences reveals that FDI plays a key role in contributing to economic growth.

However, the level of development of local financial markets is crucial for these positive impacts to be absolved, and to the bestof our apprehension this has not been shown before. Hermes et al (2003) foreign direct investment, financial development and economic growth argue that foreign direct investment may help to raise economic growth in recipient countries but the contribution foreign direct investment can make may strongly depend on the circumstances in the recipient countries. The authers futher argues that the development of the financial system of the recipient country is an important precondition for foreign direct investment to have a positive impact on economic growth and a more developed financial system positively contributes to the process of technological diffusion associated with foreign direct investment.

Conceptual framework



Resource Availability

Countries that are endowed with natural resources would receive more FDI. Very few studies on the determinants of FDI control for natural resource availability (except Gastanaga et al., 1998; Morisset, 2000 and Noorbakhsh et al., 2001). The omission of a measure of natural resources from the estimation, especially for African counties case, may cause the estimates to be biased (Asiedu, 2002). We therefore include the share of minerals and oil in total exports to capture the availability of natural resource endowments. This measure of natural resources has been employed in several studies, including Warner and Sachs (1995), Asiedu and Esfahani (2001) and Aseidu (2002) among others and was available from World Development Indicators 2003.

Regulatory Decision

The Restrictive Trade govern Kenya's competition framework. The Commission lacks the capacity to implement the legislation fully. Practices that seek to block entry into production and that discriminate against buyers are illegal. This puts an unnecessary burden on investors and the Commission. Antitrust legislation governs incoming foreign investment through acquisitions, mergers, or takeovers by antitrust legislation that prohibits restrictive and predatory practices, which prevent the establishment of competitive markets. Antitrust legislation also seeks to reduce the concentration of economic power by controlling monopolies, mergers, and takeovers of enterprises. Kenyan firms carry the heaviest taxation burden in East Africa. This additional burden has raised the cost of doing business in the region's biggest economy and reduced the competitiveness of its firms. Kenyan firms have to contend with different tax payments cutting across different tax regimes, thus placing Kenya as one of the countries with the most complicated tax system in this part of the world.

Corruption

The current coalition government inherited a problem of grand-scale economic and political corruption. In 2003, the Kibaki government enacted the Anti-Corruption and Economic Crimes Act and the Public Officers Ethics Act, setting rules for transparency and accountability, and defining graft and abuse of office. A Public Procurement and Disposal Bill became law in 2005. It establishes a procurement commission to oversee all procurement matters but has proven ineffective in limiting abuse by public officials. Large public procurement programs and military procurement have been at the centre of a number of corruption scandals in recent years. It is a standard hypothesis that openness promotes FDI (Hufbauer et al. 1994). In the literature, the ratio of trade to GDP is often used as a measure of openness of a country and is also often interpreted as a measure of trade restrictions. This proxy is also important for foreign direct investors who are motivated by the export market. Empirical evidences (Jun and Singh, 1996) exist to back up the hypothesis that higher levels of exports lead to higher FDI inflows. We therefore include Trade/GDP in the regression to examine the impact of openness on FDI.

Technology

Foreign direct investors are also concerned with the quality of the labour force in addition to its cost. In fact the cost advantages accrued by lower wages in developing nations can well be mitigated by lowly skilled workers. A more educated labor force can learn and adopt new technology faster and is generally more productive. Higher level of human capital is a good indicator of the availability of skilled workers, which can significantly boost the locational advantage of a country Root and Ahmed (1979), Schneider and Frey (1985), Borensztein et al, (1998), Noorbakhsh et al. (2001) and Aseidu (2002) found that the level of human capital is a significant determinant of the locational advantage of a host country and plays a key role in attracting FDI.

Insecurity

Insecurity also remains a serious problem. Kenya suffered major terrorist attacks in 1998 and 2002. On August 7, 1998, bombs exploded at the U.S. Embassies in Nairobi and Dar es Salaam, Tanzania, killing over 250 and wounding more than 5,000 people. A suicide bomber killed 15 people in an Israeli-owned Mombasa hotel in November 2002. The U.S. maintains a travel warning for Kenya due to the threat of terrorism and violent crime. The shaky situation in neighbouring Somalia has heightened security concerns at a time when Kenya has yet to enact appropriate anti-terrorism legislation.. The violence dissuaded both tourists and potential investors from coming to Kenya. Buyers stopped considering Kenya, resulting in several factories closing. An official government investigation, the Waki Commission, reportedly names several prominent Kenyan politicians as having instigated much of the violence. Political instability and the frequent occurrences of disorder 'create an unfavorable business climate which seriously erodes the risk-averse foreign investors' confidence in the local investment climate and thereby repels FDI away' (Schneider and Frey 1985).

Decision to invest in Kenya

The dependent variable is the end results of the whole process after the implementation of the indepedent variables. This variable includes foreign investor's decision in investing in Kenya which at the end results into Economic Growth, Productivity Growth, Improved living standards and Socio-economic development. These variables are examined in terms of the impact on growth, productivity of the work force, living standards of the local people and the social – economic development of the host country.Warner and Sachs (1995).

METHODOLOGY

Research Design

This research is a case study of Coca – Cola Company limited Mombasa. A descriptive research was used. According to Shields et al (2006) a descriptive research is one that is concerned with the description of data and characteristic about a population. These kinds of studies are means of discovering new meaning, describing what exists, its frequencies and the categorizing information. The type of research carried out is on, factors affecting foreign direct investment decisions among International Companies investing in Kenya. The researcher used this design due to its flexibility and it also minimizes biasness in the data collection and analysis. It also gives a much reliable data and credible findings hence better recommendations of the study be made.

Targeted Population

The target population includes all the 400 employees of the Coca – Cola company Limited Mombasa. These employees are under various departments namely; administration, Human resource, Marketing, Auditing and procurement.

Simple random sampling technique was used to select a sample size of 100 employees out of a total workforce of 400 employees from the various departments so as to enable the researcher to get a fair representation of the target population.

Respondents were arranged into clusters according to their departments, and sample of respondents were picked randomly from each stratum considering the population in each department. It's important because it's possible to select randomly when no single list of population members exists.

Sampling Techniques, Design, Size and Procedures

Table 3.1 showing sample size

Departments	**No. of employees**	**Sample size**	**% sample size**
Administration	14	4	29%
Marketing	300	60	20%
Procurement	60	20	33%
Human Resource	6	6	100%
Auditing	20	10	50%
Totals	**400**	**100**	**25%**

Data Collection

According to Annum (2014) data collection instruments are means through which a researcher uses to gather information (data). These instruments include questionnaires, desk review, observation and interviews.

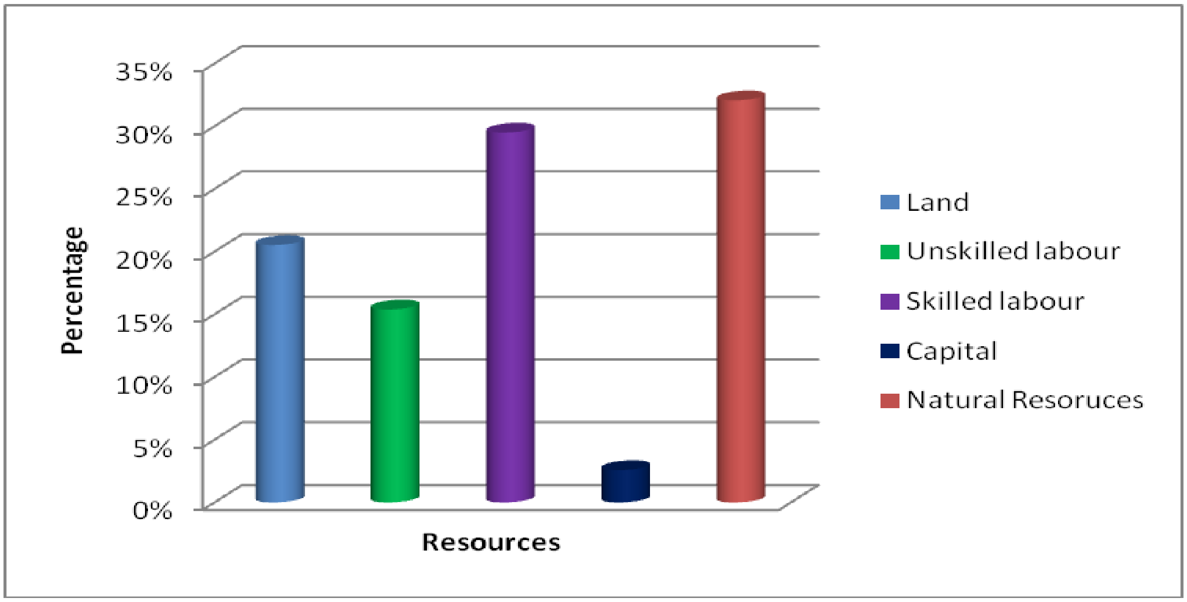
III. FINDINGS OF THE STUDY

Table 4.4 Effect of resource availability on foreign investment decision

Under this objective, availability of resources affects the foreign direct investment decision as shown in table 4.4 below.

Input Resources	**Response rate**	**Percentage**
Land	16	21%
Unskilled labour	12	15%
Skilled labour	23	29%
Capital	2	3%
Natural Resoruces	25	32%
Total	**78**	**100%**

Figure 4.4 showing the effects of resource availability on the FDI decision.



Findings

The responses in table 4.5 indicates that 32% were for availability of natural resources, 29% were for skilled labour, 21% were for land, 15% were for unskilled labour and 3% were for capital.

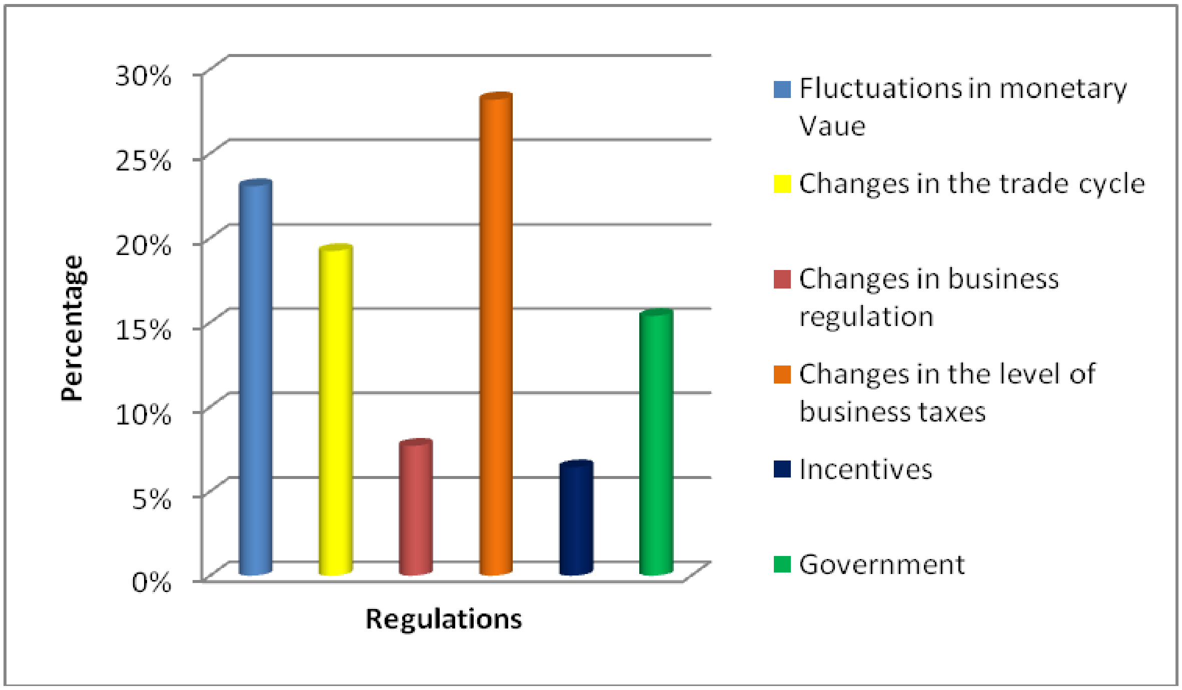
Analysis

The results shows that avalability of natural resourses highily affect positively the Foreign direct investors decisson. It is also evident that skilled labour and land also contribute much in the investors decission while capital affects list.

Table 4.5. Effect regulatory decisions on foreign direct investors

Regulation	**Response rate**	**Percentage**
Fluctuations in monetary Vaue	18	23%
Changes in the trade cycle	15	19%
Changes in business regulation	6	8%
Changes in the level of business taxes	22	28%
Incentives	5	6%
Government	12	15%
Total	**78**	**100%**

Figure 4.5. Effect regulatory decisions on foreign direct investors



Findings

The researcher noted that 28% of the responses were for change in business taxes highly affect the decision of the investors, 23% were for fluctuation in the monitory value of the host country, 19% were for change in the trade cycle in the host country, 15% were change of the government, 8% were for change of business regulation and 6% were for business incentives from the government.

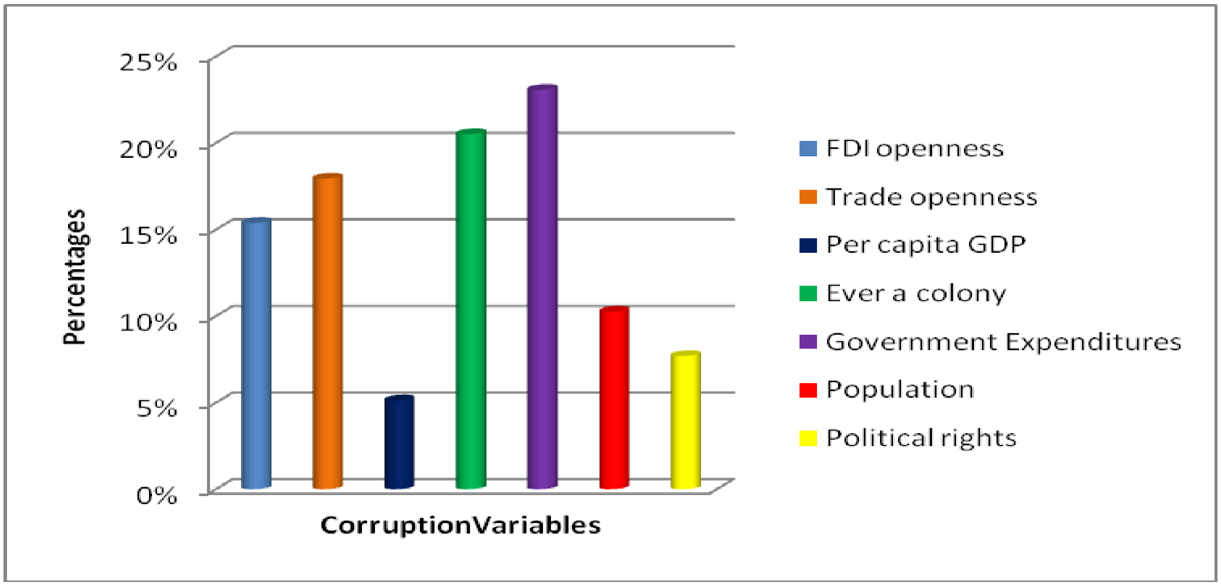
Analysis

The decision of foreign direct investors is a subject to several determinants. The result above it is evident that changes in the level of business taxes highly affect decision of the investors. Business incentives offered by the governments is a short term policy therefore it has little effect on the decision of the investors.

4.6 Effects of corruption on foreign direct investment and the economic growth

Corruption	**Response rate**	**Percentage**
FDI openness	12	15%
Trade openness	14	18%
Per capita GDP	4	5%
Ever a colony	16	21%
Government Expenditures	18	23%
Population	8	10%
Political rights	6	8%
Total	**78**	**100%**

4.6 Effects of corruption on foreign direct investment and the economic growth



Finding

The responses in table and figure 4.6 above indicates that government expenditures at 23% 21% were forever a colony, 18%were for trade openness, 15%were for foreign direct investment openness, 10% were for population, 8% were for Political rights and 5% were for per capita GDP.

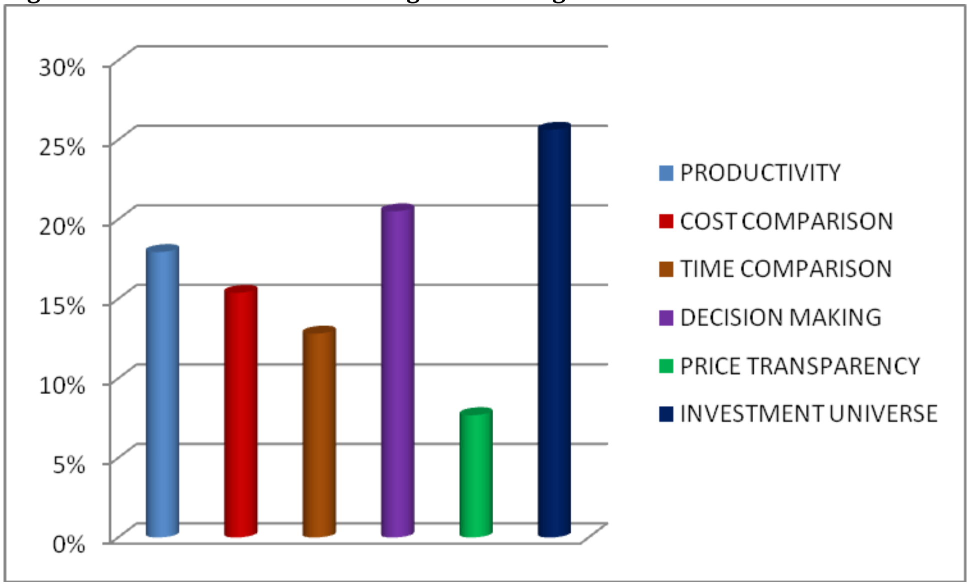
Analysis

Corruption is an ethical based on the believes and moral value of the Country. From the result which shows that governmental expenditure is a key corruption indicator of the country's foreign direct investments effects. The least indication is from the per capita of the host country is not closely related to corruption.

4.7 Contribution of technologies on Foreign Direct Investors on their decision

Effects of technology	**Response rate**	**Percentage**
Productivity	14	18%
Cost Comparison	12	15%
Time Comparison	10	13%
Decision Making	16	21%
Price Transparency	6	8%
Investment Universe	20	26%
Total	**78**	**100%**

Figure 4.7 Contribution of technologies on Foreign Direct Investors on their decision



Findings

The results shown in table and figure 4.7 clearly shows that investment universe at 26% 21%were for decision making, 18% were for productivity of the company, 15%were for cost comparison, 13% were for time comparison as a result of technology and 8% were for price transparency.

Analysis

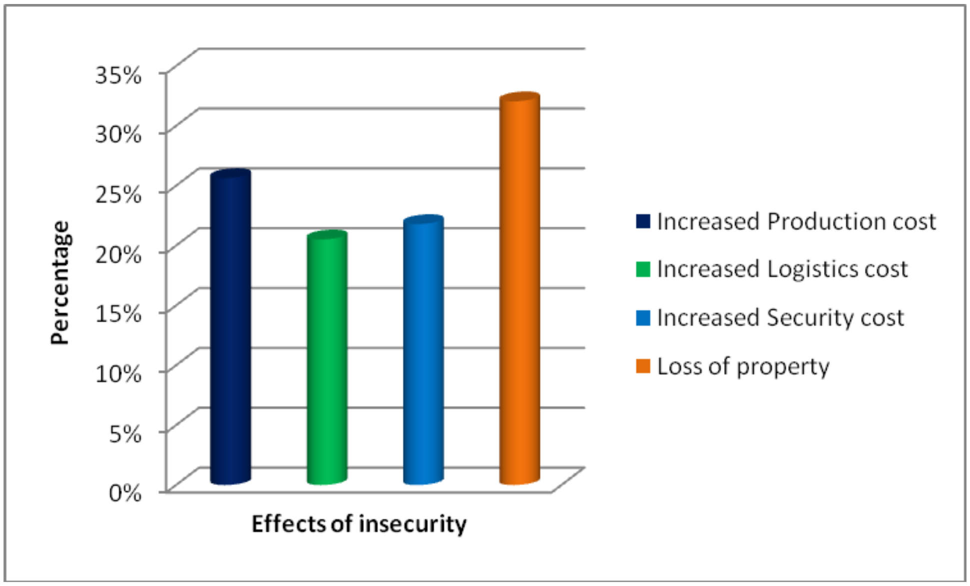
Technology highly affects positively the decision making of the foreign direct investors. The results indicate that investment universe is as a result of technology that boosts the level of decision making. It further indicated that price transparency is affected less by the technology.

4.8 Effects of terrorism (security) on foreign investors on the decision

Table 4.8 Effects of terrorism (security) on foreign investors on the decision

Insecurity	**Response rate**	**Percentage**
Increased Production cost	20	26%
Increased Logistics cost	16	21%
Increased Security cost	17	22%
Loss of property	25	32%
Total	78	100%

Figure 4.8 Effects of terrorism (security) on foreign investors on the decision



Findings

From the results in table and figure 4.8 above shows that 32% of the responses were for insecurity increases the loss of property of the investors, 26% of the response were for increased production cost, 22% were for increased security cost and 21% were for increased logistic cost as a result of destruction of transport networks

Analysis

Insecurity is a risk factor which investors the world over dread. For investors, insecurity in any country is considered a bad omen for business. It sends warning signal to investors to take their investible fund to another country where there is adequate or a semblance of security. Its clear that investors think of the cost involved in investing in un secure country.

Summary of the findings

There was a response rate of 78%. From the various departments represented, the responses were as follows; 2 (3%) from administration, 60 (77%) from production 8(10%) from procurement, 2(3%) from Human resources and the remaining 6 (8%) from auditing department. This shows that a majority of responses were from production department which is the largest department in the organization.

The highest level of education was as ensuing; 5 respondents (6%) primary, 15 (19%) secondary, 28 (36%) college, 22 (28%) bachelors degree, and only 1 (8%) had a masters degree. This means that 10% of the respondents had college education and above. Thus the information obtained from them can be considered reliable as they were well informed about their economic environment and business issues.

The results in table 4.5 indicates that 32% of the were for availability of natural resources, 29% were for skilled labour, 21% were for land, 15% were for unskilled labour and 3% were for capital. Whinch imples that availability of resources affects positively the decission made by foreign derect investors.

The researcher noted that 28% of the responses were for change in business taxes highly affect the decision of the investors, 23% were for fluctuation in the monitory value of the host country, 19% were for change in the trade cycle in the host country, 15% were change of the government, 8% were for change of business regulation and 6% were for business incentives from the government. The result implies that changes of regulation in the host country affect negatively the decision made by the investors.

The responses in table and figure 4.6 above indicates that government expenditures at 23% 21% were forever a colony, 18%were for trade openness, 15%were for foreign direct investment openness, 10% were for population, 8% were for Political rights and 5% were for per capita GDP.

The results in relation to the object on technology shows clearly that investment universe at 26% 21%were for decision making, 18% were for productivity of the company, 15%were for cost comparison, 13% were for time comparison as a result of technology and 8% were for price transparency. Availability of technology as a resource in the host country affects positively the decision of foreign direct investment of the investors.

Finally the results of the objective on the insecurity of the host country shows that 32% of the responses were for insecurity increases the loss of property of the investors, 26% of the response were for increased production cost, 22% were for increased security cost and 21% were for increased logistic cost as a result of destruction of transport networks. This implies that it is expensive to run business in unsecured places like Somalia therefore insecurity of the country affects negatively the decision to be taken by investors

IV. CONCLUSION AND RECOMMENDATIONS

Conclusions

In conclusion, the study showed that there are many factors that affect foreign direct investment decisions. However, the availability of resources, security of a location, government and other regulations, technology and corruption were found to play a major role in the decision making process of international firms on whether to invest in Kenya.

5.4 Recommendations for Policy

The findings of this study have revealed that regulations, corruption, technology and security are important to international firms when considering in Kenya. The national government should therefore formulate good policies and legislations that ensure that Kenya is secure; they are strict and discourage corruption e.g. not interfering with the mandate of the EACC, encourage the advancement of technology and encourage international firms to invest in Kenya.

Suggestions for Further Study

The study's main focus was to on the factors affecting foreign direct investment decisions among international companies investing in Kenya. However, further studies may be conducted to establish which of these factors is the most important of them all.

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