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**FACTORS INFLUENCING FOREIGN DIRECT  
INVESTMENTS MARKET DESTINATIONS IN  
NAIROBI COUNTY, KENYA.**

**Mutiga, James Mwenda**

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## ABSTRACT

Foreign direct investment is a cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy. The choice of foreign market destinations entails several considerations, analysis, and speculations. This thesis sought to find out the factors that influence the foreign direct investments destination markets. It was conducted on a few sampled foreign companies that have operations in Kenya. The independent variables for the study were returns, fiscal policy, risks, and financial inclusion. A descriptive survey method was used in the study. The target population was all the foreign firms operating in Nairobi Kenya. The target respondents were 200 and were drawn from the population of experts through random sampling technique. The questionnaires formed the tools for data collection. The questions were both closed ended and open ended. The questions were well articulated to appropriately obtain the relevant data while avoiding questions that could affect the respondents. Questionnaires collected from the respondents were screened for relevance, appropriateness and completeness. Hypothesis was tested through a multiple linear regression analysis. The data collected was analyzed using the statistical package for social science (SPSS). T-tests were conducted in the analysis and to test the hypothesis at 95% level of confidence. The regression equation generated from the regression analysis was  $Y = 10272.371 + 34.818X_1 + 32.204x_2 + 119.342x_3 + 35.953 + \epsilon$ . Returns, risks, fiscal policies and financial inclusion explain 55.2 percent of the variance in destinations of FDI. All the null hypotheses were rejected leading to acceptance of the alternative hypothesis. This implies that the independent variables that were studied were found to have significant impacts on the dependent variable. It is important for the Kenyan government to establishment incentives such as tax reliefs to woo FDIs into the Kenyan market. Enhancement of business environment would boost the inflow of FDIs into the Kenyan market. Double taxation bilateral agreements between the FDI host countries and home countries would be important to ensure the FDIs don't suffer too much of the tax burdens. Enhancement of political stability, currency stability, and control inflation is important to lower the risks. There is a need for the customs authority to enhance cash remittance volumes to compare favorably with other countries. The study findings forms a reservoir of knowledge from where investors and capital market authorities may learn more on the factors that influence foreign direct investments market destinations. It also forms the basis for future research on this topic or related topics.