IJABS Volume 3. Special Issue (2024)
International Conference of Digital Business, Society & Economy (ICDBSE 2023)
ISSN: 2940-2735

International Journal of Advanced Business Studies
https://besra.net/index.php/ijabs/

Full length article

Factors Influencing Foreign Direct Investments Inflow in Africa: A Case Study of Tanzania

Lulu Khalfan Kikwete[1], Thirunavukkarasu Suppiah[2], Vikneswaran Manual[3]

[1] Bachelor of Accounting and Finance, School Accounting and Finance, Asia Pacific University, Kuala Lumpur.
Email: Lulukikwete@gmail.com Orcid: https://orcid.org/0000-0002-0627-8439

[1] Master of Finance, , School Accounting and Finance, Asia Pacific University, Kuala Lumpur.
Email: Thirunavukkarasu.s@apu.edu.my Orcid: https://orcid.org/0000-0002-0627-8439

[1] PhD, department, , School Accounting and Finance, Asia Pacific University, Kuala Lumpur.
Email: vikneswaran.maual@apu.edu.my Orcid: https://orcid.org/0000-0002-0627-8439

Article Info

Received: 23.01.2024
Accepted: 26.02.2024
Available online: 13.05.2024

Keywords:
Foreign direct investment, political stability, availability of natural resources, size of the economy, transport infrastructure

DOI:
https://doi.org/10.59857/IJABS.9981

ABSTRACT

Africa has emerged as an attractive destination for foreign direct investment (FDI) due to its rich natural resources, growing economies, and increasing political stability. The doors of Tanzania, one of the largest countries in Africa, have been opened to international companies in search of growing markets. Nevertheless, Tanzania has seen a low level of foreign direct investment (FDI) inflows, primarily because of its stringent policies restricting the ownership of businesses by foreign nationals. The aim of this study is to identify and explain the factors that influence FDI inflows in Tanzania, which is the country that will be the focus of the study. This study will concentrate on the independent factors of political stability, availability of natural resources, size of the economy, and transport infrastructure, as well as the dependent variable of foreign direct investment (FDI). To collect the appropriate information, five survey questions were developed for each variable. A total of 125 respondents were collected using purposive sampling. The findings of this study will inform policymakers, investors, and other stakeholders in the region about the factors that influence foreign direct investment inflows into Tanzania. The study examined the impact of transport and infrastructure, political stability, the scale of the economy, and the availability of natural resources on foreign direct investment (FDI) in Tanzania.

1. Introduction

This research explains the relationship between different variables that may affect foreign direct investments inflow, especially in Tanzania. Foreign direct investments occur when a company owns another company in another country. Foreign direct investments play a key role as a source of financing to different economies especially in Africa (African Development Bank, 2017). This is because of the relatively vast market for

This is a special issue for the conference papers from: International Conference of Digital Business, Society & Economy (ICDBSE 2023), Asia Pacific University of Technology & Innovation, Kuala Lumpur, Malaysia, 24-25 Oct 2023.

ICDBSE

Disclaimer: the review and editorial processes have been performed by the conference organisers.

production and development in developing countries. The availability of resources in terms of raw materials, cheap labor and liberalization policies make most developing countries an attractive hub for foreign investment and on most occasions FDI.s can withstand economic crises that come with the decision to invest in developing countries (Mabitsi, 2021). Tanzania is an East African country with a population of around 60 million people. The country has a relatively small economy, with a GDP of $62 billion in 2020 (World Bank, 2021). FDI inflows to Tanzania have been relatively low compared to other countries in the region, with the country receiving $1.1 billion in FDI inflows in 2020 (UNCTAD, 2019).

Due to Economic liberalization adoption policies between the years 1980 to 1990 developing countries in Africa began to utilize the private sector as its area of major economic growth and thus changing the economic reforms where, need of capital, skills and new technology became high in demand to attract foreign direct investments (Lipsey, 2002). In the Mid 1980, the Tanzania declaration decided to create and implement policies that will attract FDI inflows in the country (Makundi, 2016). The policies were successfully implemented, and they yielded positive results. The FDI increased rapidly from $2418 million in 1999 to over $3000 million in 2021 whereas 33%, 7% and 28% were invested in manufacturing, agriculture, and mining respectively (Lary, 2019).

Despite Tanzania's potential for economic growth and development through Foreign Direct Investment (FDI), the level of FDI inflows into the country is relatively low compared to other African nations. Foreign Direct Investment (FDI) is one of the primary contributors to Tanzania's economic growth and development. The government has been committed to fostering an FDI-friendly environment, as evidenced by its policies designed to attract more FDI. The government has been committed to fostering an FDI-friendly environment, as evidenced by its policies designed to attract more FDI. Despite these efforts, Tanzania has struggled to attain sustained growth in FDI inflows (Makundi, 2016). This raises the question of what influences Tanzania's FDI inflows. There is a gap in understanding the factors affecting FDI inflows into Tanzania, hindering the country's economic growth and development.

Tanzania has experienced relative political stability in recent years. However, there are concerns regarding the government's ability to maintain stability. According to Mintah and Karimu (2020), political stability is a key determinant of FDI flows in Africa. There have been instances of political instability in Tanzania, such as protests and demonstrations, which have discouraged investors. This is evidenced by the decrease in FDI inflows in 2016 when political tensions were high. Furthermore, Corruption and lack of transparency are major concerns, leading to uncertainty and risks for foreign investors. This may deter them from investing in the country. Tanzania's ranking on the economic freedom index is 146th out of 180 countries, indicating that more effort is required to improve the investment climate.

The size of Tanzania's economy is another factor affecting FDI inflows. Tanzania's economy has been growing steadily over the years, which presents an opportunity for investors. According to the World Bank (2020), Tanzania's GDP grew by an average of 6.6% between 2015 and 2019. Although the country has one of the largest economies in East Africa, its economy is heavily reliant on agriculture and natural resources. This makes it difficult to attract significant FDI, as other sectors such as manufacturing, and services have not been fully developed. The African Development Bank Group (AfDB) recommends diversifying Tanzania's economy to attract more FDI.

The availability of natural resources is another factor affecting FDI inflows in Tanzania. While the country is rich in natural resources such as minerals, oil, and gas, negative impacts of natural resource extraction on the environment and local communities pose a challenge. According to UNCTAD (2020), Tanzania's natural resources make the country attractive to extractive industry investors. However, the mining industry in Tanzania has been criticized for its negative impact on the environment and human rights abuses, which may deter foreign investors from investing in the country.

Transport and infrastructure are critical factors affecting FDI inflows in Tanzania. Poor infrastructure and transport networks increase the cost of doing business and reduce the attractiveness of investing in the country. Tanzania has made substantial infrastructure development investments, including the construction of roads, ports, and airports (Lipsey, 2002). These investments have increased connectivity, which facilitates investor access to markets and basic materials. In Tanzania, the construction of the Bagamoyo port is anticipated to increase FDI inflows. However, there are still obstacles in transport and infrastructure, such as inadequate transport networks in certain regions, which may discourage investors (Asiedu, 2014). In order to attract more FDI, the government must continue to invest in infrastructure development. Tanzania ranks 125th out of 190 countries in terms of ease of doing business, highlighting the need for investment in transport and energy infrastructure to improve the business environment (Makundi, 2016).

This study identifies political stability, the availability of natural resources, transport and infrastructure, and the scale of the economy as the primary determinants of FDI flows into Tanzania. Tanzania has made substantial progress in attracting foreign direct investment, but there is still space for improvement. In order to attract more FDI, the government must continue implementing policies that foster a stable political climate, transparent management of natural resources, infrastructure development, and economic growth.

2. Literature Review

Availability of Natural resources

Natural resources can be defined as materials or substances which occur in nature and can be exploited for economic gain. The economic importance of natural resources largely depends upon two variables which are current flows of income and potential future flows of income (Kinda, 2016). The first is basically a function related to costs of production and demand in the market while the second variable relates to resource endowments and management planning. For the aim of understanding the true significance of natural resources both the current and future flows of income should be considered. Natural resources provide a safety net for developing countries especially during tough times, but natural resources are also a major factor that contribute to the injection of FDI in a country.

For each country, the cost related with the use of natural resources will reflect in three key elements such as endowments of the resource, social preferences towards the resources and the degree to which a country's regulation affects the first two factors. When countries' societal preferences adequately reflect their laws and regulations on management of natural resources then a country is more likely to use their resources effectively. On the other hand, due to market and policy failures these conditions are rarely met (Makundi, 2016)

Every country has different natural resources, and some natural resources cannot be found in all countries. For example, Tanzanite is only found in Tanzania which means for foreigners to get them they must come and invest in mining Tanzania to extract the mineral. Tanzania is one of the countries which has many natural resources which offers a wide range of FDI Inflows in the country (Moran, 2005). Tanzania has natural resources such as Gold, helium, land, and tourist attractions that can be exploited to the maximum by foreign investors. Tanzania is famous for its wildlife attractions and is the home of the highest mountain in Africa. For this reason, most foreign investors are attracted to investing in the country (Moran , 2005). The availability and accessibility directly affect the decision of an investor to come and put their money into a country. When a country has several natural resources which can be exploited then investors are more likely to invest their money into such countries. Tanzania is one of the most leading FDI Inflow recipients in Africa due to this factor.

2.1 Hypothesis Development

Availability of Natural Resources and FDI inflows

Tanzania's abundance of natural resources may be both a benefit and a curse for foreign investors. While it can provide income and create investment opportunities, it can expose the nation to hazards such as commodity dependence, the resource curse, and poor diversification (International monetary fund, 2018). Tanzania's inability to diversify its economy is hampered by its strong reliance on a handful of natural resources. This can make it difficult for foreign investors to identify acceptable investment possibilities outside of the natural resource industry. For instance, if a foreign investor wishes to engage in Tanzania's manufacturing sector, they may find it difficult to identify acceptable possibilities due to the country's poor economic diversity (World bank, 2021).

Alongside many African countries, Tanzania is also susceptible to the resource curse, in which an excess of natural resources can result in economic instability and corruption. Mismanagement of natural resources can result in social and environmental deterioration, hence discouraging foreign investment (World bank, 2019). Illegal mining activities and poor management of mining sites, for instance, can hurt the environment and residents, which can harm the country's reputation and deter foreign investments. According to the United Nations Development programme (2018), Tanzania's economy relies primarily on the export of natural resources, particularly gold, which accounts for a substantial share of the country's foreign exchange revenues. This may create money for the government, but also exposes the nation to the danger of commodity price volatility. When gold prices are low, for instance, Tanzania's economy can suffer, which can discourage foreign investors from investing in the country.

According to research done by Kwayu, N. J. (2017), the relationship between the availability of natural resources and FDI inflows in Tanzania was examined utilizing through a review of existing literature. The author finds that while Tanzania has abundant natural resources such as minerals, oil, and gas, the country has not been able to attract significant FDI inflows in these sectors. The study suggests that there are several reasons for this, including regulatory barriers, weak governance, and limited local capacity. The author concludes that while the availability of natural resources is an important factor in attracting FDI, it is not sufficient on its own. Rather, Tanzania needs to address other factors such as governance and capacity building in order to fully benefit from its natural resource endowments.

Based on this information from the previous research reviewed under this variable, the hypothesis one is formulated that:

H1: Availability of natural resources has a significant relationship with FDI inflows.

Political Stability and FDI inflows

Political stability is needed to attract FDI because of several reasons. When a country is politically unstable, the future attitude of the government cannot be guaranteed, and the investors have a chance to lose everything. Political instability can also affect exchange rates, for example the collapse of the Russian ruble in the 1990's which led to investing in Russia being extremely difficult. Basically, when there is political stability, a country becomes more attractive to invest in. On the other hand, if political instability Is high in a country, then it becomes more costly to invest in that country. However, it does not mean there will be no FDI investments at all, it just suggests that businesses will need a higher return to compensate for the high risk involved. According to a study by Kennedy et al. (2018), political instability in Tanzania has had a detrimental influence on FDI inflows, with the potential for political upheaval, corruption, and regulatory uncertainty discouraging international investors. According to the survey, political instability lowers investor trust and generates uncertainty, making it harder for international companies to make long-term investment decisions.

In addition to these issues, political instability can create a hard economic climate by raising the likelihood of expropriation, arbitrary regulatory changes, and other types of political involvement, according to other studies. For instance, African Development Bank research (2017) identifies political intervention in Tanzania's mining sector as a main reason discouraging FDI inflows, with investors fearing the unpredictability of government policies and the risk of nationalization. Concerns over the government's human rights record, limits on civil liberties, and charges of electoral fraud have contributed to the deterioration of Tanzania's political climate in recent years. This has produced uncertainty and unease among investors, resulting in a decrease in FDI inflows. In Tanzania between (2015-2021) President John Magufuli changed the government and made himself the head of decision-making as the parliament’s majority members (99%) were from his political party. This indicates that there was no democracy thus a lot of misunderstandings were going on between the countries as a result, he was the final decision-maker without taking opinions from everyone which led him to make decisions that affected the country's economy especially in the FDI sector. He made conditions for FDI worse to discourage the foreign investors from coming investing in the country. For example, he tore up and re-negotiated terms of mining contracts and nationalized mining companies. These actions undermined investors' confidence and thereby caused them to leave. According to an empirical Analysis" by Kupeta, D. S., & Macharia, J. S. (2015), the study utilized time series data from 1980 to 2013 and employed various econometric techniques to examine the relationship between political stability and FDI inflows in Tanzania. The results showed that political stability has a positive and statistically significant effect on FDI inflows in Tanzania. The authors suggest that a stable political environment provides a conducive atmosphere for investment, which in turn attracts foreign investors. So, based in these data reviewed under this variable, this study formulates Hypothesis two

H2: Political stability has a significant relationship with FDI inflows.

Size of Economy and FDI inflows

A country's FDI attractiveness depends on several factors such as the size of its population, GDP per capita and most significantly the scope for economic growth. Countries which have high populations, and a growing middle class are mostly seen as ideal targets. The relationship between FDI inflows and the size of a country by area is not always direct and unequivocal. According to the CIA World Factbook, UN Conference on Trade and Developments do show some correlation between larger countries by area and FDI attractions, for example countries like China and USA. On the other hand, smaller counties by size such as Singapore and Hong Kong have also attracted a key level of FDI in 2018, while bigger countries such as Chad and Congo have attracted several FDI projects over the same period despite their size. Business confidence and future expectations of the growth of the economy are likely to influence foreign direct investments. If investors see a large economy, they expect rising sales and anticipate increased demand for goods and services.

On the other hand, some studies indicate that a large economy may not necessarily attract more foreign direct investment (FDI), and in other instances, a large economy may actively discourage FDI inflows. A major economy may already have a well-developed domestic market, making it less appealing for foreign enterprises to invest to gain access to the domestic market. In addition, a larger economy may have more complex rules and higher corporate costs, which may discourage FDI inflows. While Tanzania's economy has been rising, Cisse and Walle (2017) found that the country has failed to attract FDI, which they blame in part to the size of the economy. They claim that Tanzania's relatively tiny economy makes it less appealing to international investors, who may view the market as being too small to warrant the investment expenses. They also remark that Tanzania's industrialization level is rather low, which can deter Investment inflows. UNCTAD (2019) reported in second research that Tanzania's FDI inflows have been relatively low compared to other countries in the area, and that the country faces a variety of obstacles in attracting FDI. These obstacles include a lackluster investment climate, inadequate infrastructure, and a dearth of skilled workers. Although the size of the economy is not directly listed as a consideration, the report does highlight that Tanzania's GDP per capita is lower than the regional average, which could be viewed as a deterrent to attracting.

According to research done by Zakeo, G. P. (2019), the relationship between the size of the economy and FDI inflows in Tanzania was examined using time series data from 1990 to 2017. After the examination, he finds that there is a positive relationship between the size of the economy and FDI inflows, suggesting that a larger economy can attract more foreign investment. The study also finds that other factors such as infrastructure, human capital, and political stability have a significant impact on FDI inflows in Tanzania. The author concludes that Tanzania should focus on improving the enabling environment for FDI, including infrastructure development, human capital formation, and political stability, to attract more foreign investment and promote economic growth. In summary, Zakeo's study suggests that the size of the economy is a key determinant of FDI inflows in Tanzania, but that other factors such as infrastructure, human capital, and political stability are also important in attracting foreign investment to the country.
So, based in this data, this study formulates Hypothesis three
H3: Size of the economy has a significant relationship with FDI inflows.

Transportation and Infrastructure and FDI inflows
Many studies have shown the significance of physical infrastructure as one of the determinants of FDI inflows to a country. When there is a good quality of physical infrastructure the investment conditions for FDI will improve as well as the total cost of investments. The development of African countries' turnover in foreign trade conditions led to the search for new ways to facilitate better creation of infrastructure (Makundi, 2016). This includes attracting FDI and using public-private partnership schemes when implementing large projects. The

governments of many African countries are assisting to attract FDI to the transport infrastructure sector which will enable them to form an integrated transport network which will increase efficiency. The condition of Tanzania's road infrastructure poses a considerable obstacle for investors. According to the World Bank (2021), just 4.3% of Tanzania's roads are paved, and many rural roads are in poor condition, making the transportation of goods and services difficult and costly. This undermines the supply chain, resulting in delays and disruptions that have a detrimental effect on international investment. For instance, the cost of transporting goods to market rises, which increases the cost of production. In turn, this impacts the profitability of firms, making Tanzania less appealing to foreign investors.

Furthermore, Tanzania has multiple ports, but congestion and inefficiency hurt foreign businesses. Tanzania's port infrastructure, ship turnaround times, and customs delays can raise business costs. Delays in clearing products can result in demurrage charges, which can hurt firm profitability. The Tanzania Port Authority (2021) reports that the average turnaround time for ships at the Dar es Salaam port is approximately 12 days, which is significantly longer than the global average of 7 days. In addition, delays in customs clearance and inadequate port infrastructure can increase the cost of conducting business in Tanzania. Delays in clearing products, for instance, might result in demurrage fees, which can have a major influence on a company's profitability. These obstacles make Tanzania a less appealing investment destination for foreign investors. The inadequate or poorly maintained transport and infrastructure in Tanzania might have a detrimental impact on foreign direct investment. The obstacles increase the cost of doing business, decrease profitability, and make Tanzania less appealing to foreign investors. Tanzania must spend in upgrading and strengthening its transport and infrastructure to attract more Investors. This would not only increase the country's appeal to international investors, but also offer the infrastructure necessary for enterprises to flourish. In summary, Makungu's study suggests that transportation infrastructure plays an important role in attracting FDI to Tanzania, and that improvements in infrastructure can have a positive impact on FDI inflows. So, standing on this subsequent proof from the author, this study formulates hypothesis four (4)

H4: Transportation and Infrastructure has a significant influence on FDI inflows.

3. Data and Methodology

Data Collection

The survey of 30 questions was completed by 125 respondents. With 125 respondents answering 30 queries each, a total of 3,750 data points were gathered. The 30 questions included a combination of open-ended questions, for which respondents provided written responses, and closed-ended questions, for which respondents chose from multiple-choice options or rated items on a Likert scale. The purpose of the survey was to collect opinions and insights on the factors that influence foreign direct investments. Inflow in Africa: A study of Tanzania as a case study. The compiled data will provide quantitative insights into the opinions of 125 respondents regarding this topic.

Methods of data collection

The data collected from the questionnaire will be used to make an evaluation and answer the research questions. The questionnaire will be original meaning I will create all the questions. A five Likert scale will be used in the survey because it will enable me to easily operationalize the personal opinions of the respondents. Reliability and validity can be restricted because restricting responses may lead to biased responses and respondents not being able to fully express their opinions. The structure of the questionnaire will consist of two parts:

Section A

This will be the introductory part of the questionnaire and will consist of 5 general questions about the details of the respondents. This will ensure that the personal details of the respondents such as age, gender and nationality are easily identified and will also be helpful when evaluating the data.

Section B

This is the second section of the questionnaire which will consist of 25 questions. All questions will be closed-ended. The questions will be based on the independent and dependent variables that were identified in the previous chapters. They will all be answered by Likert of 1 to 5, 1 being strongly disagree and 5 being strongly agree. The main purpose of this section is to have a clear understanding on the factors that influence foreign direct investments in Tanzania.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

Figure 1: The values of the Likert scale used for this research.

Data Analysis

The results of the questionnaire will be analyzed and incorporated into a descriptive data analysis. Tables and graphs will be used to illustrate the frequency and other pertinent information. Statistical Package for the Social Sciences (SPSS) and Microsoft Excel are the primary programmes that will be employed for the analysis. The software will also filter the results to determine if anything is missing. Below are other tests that will also be conducted to ensure reliability and accuracy of the data collected.

Reliability test

This involves conducting the same measurements of the same sample by using different methods. This is followed by calculating the correlation between different sets of results. If the results of the different methods give similar results, it indicates that the reliability is high. I will be using this test to assess the reliability of the data provided by the respondents. This is because many factors can influence your results at different times. For instance, respondents may have different moods or external factors that may affect their ability to respond accurately. This test will be conducted using Cronbach's Alpha coefficient test.

Multiple Regression

Multiple regression is a statistical technique for examining the relationship between a dependent variable (the variable being predicted or explained) and two or more independent variables (predictor variables). The objective of multiple regression in this study is to construct a mathematical equation that describes the relationship between the independent variables and the dependent variable. The equation is written as:

$Y = b0 + b1X1 + b2X2 +... + bnxn$.

4. Results and Discussion

Descriptive Analysis

The purpose of the survey was to collect opinions and insights on the factors that influence foreign direct investments. Inflow in Africa: A study of Tanzania as a case study. The compiled data will provide quantitative insights into the opinions of 125 respondents regarding this topic. The information in the table and histogram above represents the gender-related responses of 125 individuals. 64 respondents (51.2%) identified as female, 59 respondents (47.2%) identified as male, and 2 respondents (1.6%) preferred not to specify. The valid percentage represents the proportion of responses that fell into male and female categories, excluding those who chose not to respond. The cumulative percentage represents the entire proportion of responses for each category. Overall, the data reveals a relatively even distribution of male and female respondents, with a small minority opting to conceal their gender.

The age group distribution of 125 respondents is depicted in the table and histogram presented above. The respondents were divided into five age groups: 18 to 24, 25 to 34, 35 to 44, 45 to 54, and 55 and older. 41 respondents (32.8%) belonged to the 18-24 age group, 42 respondents (33.6%) to the 25-34 age group, 31 respondents (24.8%) to the 35-44 age group, 9 respondents (7.2%) to the 45-54 age group, and 2 respondents (1.6%) to the 55 and older age group. Excluding invalid or absent data, the valid percentage represents the proportion of responses that correspond to each age group. The cumulative percentage represents the entire proportion of responses for each category. Most respondents were between the ages of 18 and 34, with 66.4% occurring between the ages of 25 and 34. The data also reveals that there were fewer respondents in the senior age groups, with only 7.2% of respondents in the 45-54 age group and 1.6% in the 55+ age group.

This information in the table and histogram above represents the educational level of a group of people. A total of 125 people were surveyed, and their levels of education were recorded.72 (57.6%) of the 125 individuals possessed a bachelor's degree, 5 (4.0%) possessed a Diploma, 38 (30.4%) possessed a master's degree, and 10 (8%) possessed a PhD. The valid percent column displays the percentage of respondents with each level of education, excluding those who did not provide a valid response. The cumulative percent column displays the running total of the valid percent column, which indicates the percentage of individuals with each level of education or a lesser level of education.

The information presented above represents the income of 125 respondents. The table displays the frequency, valid percentage, and cumulative percentage for each income bracket. It was received by 52 respondents (41.6%) out of a total of 125, making it the most prevalent income level. Twenty-eight individuals (22.4%) reported an income between $10000 and $15000, followed by twenty-six individuals (20.8%) who reported an income between $5000 and $10000.12 individuals (9.6%) reported a level of income between $15,000 and $20,000, while 7 individuals (5.6%) reported a level of income above $20000. 58.4% of respondents reported an annual income greater than $5000, while 41.6% reported an annual income of less than $5000.

Table 1: Descriptive Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Female	64	51.2	51.2	51.2
	Male	59	47.2	47.2	98.4
	Prefer not to say	2	1.6	1.6	100
Age	18-24	41	32.8	32.8	32.8
	25-34	42	33.6	33.6	66.4
	35-44	31	24.8	24.8	91.2
	45-54	9	7.2	7.2	98.4
	55 and above	2	1.6	1.6	100
Education	Bachelor’s degree	72	57.6	57.6	57.6
	Diploma	5	4	4	61.6
	Master’s degree	38	30.4	30.4	92
	PHD	10	8	8	100
Income Level	\$10000-\$15000	28	22.4	22.4	22.4
	\$15000-\$20000	12	9.6	9.6	32
	\$5000-\$10000	26	20.8	20.8	52.8
	Above \$20000	7	5.6	5.6	58.4
	Below \$5000	52	41.6	41.6	100

Reliability Test

In order to determine the consistency of the questionnaire's measurement items, a reliability test was administered, and the values of Cronbach's alpha are displayed in the table below. The following table displays the values of Cronbach’s alpha for the five variables used in this study. The values range from 0.829 to 0.875, indicating that the variables are reliable for conducting the study. This table displays the results of reliability tests for five constructs: Foreign Direct Investment, Economic Size, Natural Resource Availability, Political Stability, and Transportation and Infrastructure. The Cronbach's Alpha values range from 0.771 to 0.869, indicating that the constructs have acceptable to excellent internal consistency. The N number of items for each construct is 5, indicating that five items or queries are used to measure each construct. The results indicate that the constructs have good to outstanding internal consistency, which means that the items or questions used to measure each construct are consistent with one another and provide accurate measurements of the constructs.

Table 2: Reliability Test.

Constructs	**Cronbach’s Alpha**	**N of Items**	**Internal Reliability**
Foreign Direct Investment	0.771	5	Good
Size of Economy	0.877	5	Excellent
Availability of Natural Resources	0.855	5	Excellent
Political Stability	0.85	5	Excellent
Transportation and Infrastructure	0.869	5	Excellent

Model Summary

A summary of the regression analysis performed on the dataset is provided in the model summary. It suggests that the model has only a moderate capacity for predictive analysis. The model consists of a dependent variable, foreign_direct_investments, and four independent variables: transport infrastructure, size_of_economy, availability_of_natural_resources, and political stability. The correlation between the dependent variable and the independent variables is moderately positive, as indicated by the R value of 0.562. The R square value of 0.315 indicates that the model's independent variables explain 31.5% of the variance in the dependent variable. Considering the number of independent variables in the model, the adjusted R Square value of 0.293 provides a more accurate measure of the predictive potential of the model. The Standard Error of the Estimate is 3,26606, which represents the expected average deviation of actual values from predicted values. The Durbin-Watson statistic of 1.724 is utilized to detect autocorrelation in the model's residuals. A value near 2 indicates that there is no autocorrelation, whereas values near 0 or 4 indicate positive or negative autocorrelation, respectively. A value of 1.72 indicates that there is no substantial autocorrelation in the residuals of the model.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.562[a]	0.315	0.293	3.26606	1.724

ANOVA

The anova table above displays the variance analysis results for the regression model with foreign_direct_investments as the dependent variable and transport_infranstructure, size_of_economy, availability_of_natural_resources, and political stability as predictors. The table comprises the regression and residual terms' sum of squares, degrees of freedom, mean square, F-value, and significance level. The F-value of 13.821 and the p-value of.000 indicate that the regression model predicts FOREIGN_DIRECT_INVESTMENTS with statistical significance.

Table 4: ANOVA Table

Model 1	Sum of Squares	df	Mean Square	F	Sig.
Regression	589.73	4	147.433	13.821	.000[b]
Residual	1280.06	120	10.667		
Total	1869.79	124			

Coefficient

The table shows the results of the hypothesis testing for the relationship between the four independent variables (size of economy, availability of natural resources, political stability, and transport and infrastructure) and FDI inflows in Tanzania. The t-test was utilized to evaluate the hypothesis, and a significant threshold of 0.05 was utilized throughout the process. According to the first hypothesis (H1), foreign direct investment (FDI) inflows are significantly influenced favorably by the size of the country's economy. The findings reveal a t-value of

3.790 and a p-value of 0.000; this indicates that the alternative hypothesis (H1) is accepted while the null hypothesis (H0) is rejected. This result is in line with the findings of prior research, such as that which was conducted by Asiedu (2006), which discovered that an expanding and diversified economy offers investors access to a broader market, which in turn boosts the profitability of their investments.

According to the second hypothesis (H2), the availability of natural resources has a considerable and positively significant impact on the amount of FDI that is invested. A t-value of 3.569 and a p-value of 0.001 indicate that the null hypothesis (H0) cannot be supported, however the alternative hypothesis (H1) can. This means that the null hypothesis is rejected, and the alternative hypothesis is accepted. This result is in line with the findings of prior research, such as that conducted by Dunning and Lundan (2008), who discovered that natural resources are one of the primary variables that attract foreign direct investment (FDI).

According to the third hypothesis (H3), political stability has a considerable and beneficial impact on the amount of FDI that is invested. The findings, on the other hand, reveal a t-value of -0.965 and a p-value of 0.336; this indicates that the null hypothesis (H0) is correct while the alternative hypothesis (H1) is incorrect. This result runs counter to the findings of prior research, such as that of Gokmenoglu et al. (2019), which discovered that an investor's perception of security is increased by a stable political climate, which in turn motivates investors to invest in a country.

According to the fourth hypothesis (H4), foreign direct investment (FDI) inflows are significantly improved when transport and infrastructure are improved. The findings, on the other hand, reveal a t-value of -1.715 and a p-value of 0.089; this indicates that the null hypothesis (H0) is correct while the alternative hypothesis (H1) is incorrect. Previous research, such as that conducted by Shukralla and Al-Sayed (2020), concluded that having a well-developed infrastructure network plays a big part in attracting foreign direct investment (FDI). This result is consistent with that conclusion.

According to the findings of this study, foreign direct investment (FDI) inflows into Tanzania are significantly influenced positively by the size of the economy as well as the availability of natural resources; however, political stability as well as transport and infrastructure are not. These findings are in line with those found in earlier research on the factors that influence FDI in developing nations. However, additional research is required to investigate the reasons why Tanzania's political stability, as well as its transport and infrastructure, do not have a significant impact on the amount of foreign direct investment (FDI) the country receives. In addition, in order to entice a greater amount of FDI into the country, officials ought to center their efforts on expanding the availability of natural resources and fostering economic expansion and diversification.

Table 5: Coefficients

Dependent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	12.659	2.918		4.338	0
Size of Economy	0.31	0.082	0.328	3.79	0
Natural Resources	0.301	0.084	0.322	3.569	0.001
Political Stability	-0.135	0.14	-0.089	-0.965	0.336
Transport infrastructure	-0.21	0.122	-0.158	-1.715	0.089

Dependent Variable: Foreign Direct Investment

5. Conclusion

Additional research in this field could investigate the influence that certain policies and regulations have on the amount of foreign direct investment (FDI) that comes into Tanzania. According to the findings of a study that was conducted by Ahmed and Nabeshima (2017), investment policies and regulations have a considerable influence on the amount of FDI that is received. As a result, subsequent research might investigate the laws and regulations that are either obstructing or enabling foreign direct investment inflows into Tanzania. This could provide important insights to policymakers about how the investment climate in the country can be improved.

The effect that foreign direct investment has on the economic growth of the country that hosts it is another potential topic for additional study. According to the findings of a study that was conducted in 1992 by Blomstrom and colleagues, foreign direct investment (FDI) can influence the economy of the host nation in both positive and negative ways. Therefore, further study could investigate the specific pathways by which FDI affects economic development in Tanzania using terms like "channels." This could involve looking at the effect foreign direct investment has on employment rates, the flow of technology, and overall economic growth.

In addition, possible topics for investigation in further research include the influence that FDI has on the environment as well as the community in which it is located. According to the findings of a study conducted by Rajan and Harikumar (2016), foreign direct investment (FDI) can have both beneficial and negative effects on the environment and the society in which it is invested. Therefore, further research could be conducted to investigate the specific ways in which foreign direct investment (FDI) affects the local community as well as the environment in Tanzania. This may provide some insights as to how to maximize the good impact of FDI while simultaneously minimizing its negative impact on the economy.

In conclusion, research in the future might look at how foreign direct investment affects regional integration in Africa. According to the findings of a study that was conducted by Amankwah-Amoah and Zhang (2016), FDI has the potential to encourage regional integration in Africa. As a result, subsequent research might investigate the precise ways in which foreign direct investment (FDI) fosters regional integration in Tanzania and the wider East African region. This could provide important insights to policymakers about how to make use of foreign direct investment (FDI) to advance regional integration and economic development.

REFERENCES

African Development Bank (2017). Tanzania Economic Outlook 2017. African Development Bank Group.

African Economic Outlook. (2019). Foreign direct investment flows to Africa: Improving the investment climate and promoting sustainable development. OECD Publishing.

Akinbobola, T. O., & Ogunyinka, T. (2018). FDI Inflows and Economic Growth in Nigeria: Evidence from ARDL Bound Testing Approach. Global Business Review, 19(6), 1438-1451.

Asiedu, E. (2002). On the determinants of foreign direct investment to developing countries: Is Africa different? World Development, 30(1), 107-119.

Asiedu, E. (2014). Does Foreign Aid in Education Promote Economic Growth? Evidence From Sub-Saharan Africa. Journal of African Development, 16(1), 37-59.

Baffes, J., & Elbadawi, I. (1996). African exports and foreign direct investment. The World Bank Research Observer, 11(1), 65-89.

Caren, S., n.d. *Foreign direct investment (FDI) in Tanzania - Investing - International Trade Portal International Trade Portal*. [online] Lloydsbanktrade.com. Available at: <https://www.lloydsbanktrade.com/en/market-potential/tanzania/investment#> [Accessed 9 May 2022].

Chris, r., 2017. *Foreign Direct Investment (FDI)*. [online] Corporate Finance Institute. Available at: <https://corporatefinanceinstitute.com/resources/knowledge/economics/foreign-direct-investment-fdi/> [Accessed 9 May 2022].

Cisse, F., & Walle, Y. (2017). Foreign Direct Investment and Economic Growth in Tanzania: An Empirical Analysis. Journal of African Business, 18(4), 489-508. https://doi.org/10.1080/15228916.2017.1334638

International Monetary Fund. (2018). United Republic of Tanzania: Selected Issues. https://www.imf.org/en/Publications/CR/Issues/2018/07/10/United-Republic-of-Tanzania-Selected-Issues-46041

Kenedi, A., Suleiman, Z., & He, X. (2018). Political instability, institutional quality and foreign direct investment in Tanzania. International Journal of Business and Management, 13(4), 22-33.

Kim, k., 2019. *FDI Archives*. [online] Tanzania Invest. Available at: <https://www.tanzaniainvest.com/fdi> [Accessed 9 May 2022].

Kinda, T. (2016). What drives FDI inflows to Sub-Saharan Africa? An empirical investigation using panel data. Journal of African Business, 17(1), 35-52.

Kupeta, D. S., & Macharia, J. S. (2015). Political stability and foreign direct investment in Tanzania: An empirical analysis. Journal of Economics and Sustainable Development, 6(2), 34-43.

Kwayu, N. J. (2017). Natural Resources and Foreign Direct Investment in Tanzania: A Review of Literature. Journal of Natural Resources Policy Research, 9(2), 151-166.

Lary, J., 2019. [online] Available at: <https://www.state.gov/reports/2020-investment-climate-statements/tanzania/> [Accessed 9 May 2022].

Lipsey, R. E. (2002). Home and host country effects of FDI. In J. R. Markusen (Ed.), International trade: Theory and evidence (pp. 309-342). Routledge.

Lipsey, R. E. (2002). Home- and host-country effects of FDI. The North American Journal of Economics and Finance, 13(2), 149-170.

Mabitsi, K., 2021. [online] Discoverthought.org. Available at: <https://www.discoverthought.org/post/factors-affecting-foreign-direct-investment-fdi-in-south-africa-and-the-impact-of-covid-19> [Accessed 9 May 2022].

Makundi, W. (2016). Determinants of foreign direct investment in Tanzania. African Development Review, 28(3), 308-320.

Makungu, C. P. (2015). Transport Infrastructure and Foreign Direct Investment in Tanzania: An Empirical Analysis. Journal of Economics and Sustainable Development, 6(20), 26-34.

Mfalamagoha, David S. M. and Raphael, Gwahula, 2019. The Causality Effect between Institutional Factors and Foreign Direct Investment (FDI) Inflows in Tanzania. *Oman Chapter of Arabian Journal of Business and Management Review*, 8(3), pp.44-59.

Micheal, S. and Yuki, E., 2020. *Foreign direct investment flows in the time of COVID-19*. [online] OECD. Available at: <https://www.oecd.org/coronavirus/policy-responses/foreign-direct-investment-flows-in-the-time-of-covid-19-a2fa20c4/> [Accessed 9 May 2022].

Moran, T. H. (2005). Multinational corporations and the politics of dependence: Copper in Chile. Princeton University Press.

Nazeer, A. M., & Masih, M. (2017, May 12). *Impact of political instability on foreign direct investment and economic growth: Evidence from Malaysia*. Munich Personal RePEc Archive. Retrieved December 10, 2022, from https://mpra.ub.uni-muenchen.de/79418/

Ndulu, B. J., O'Connell, S. A., Adam, C. S., & Lonti, Z. (2007). Tanzania: The story of an African transition. World Bank Publications.

Obamuyi, T. M., Odularu, G. O., & Olaleye, S. A. (2019). Foreign Direct Investment and Economic Growth Nexus in Nigeria: A Co-integration Approach. African Journal of Economic Review, 7(1), 54-65.

Pettinger, T., 2019. *Factors that affect foreign direct investment (FDI) - Economics Help*. [online] Economics Help. Available at: <https://www.economicshelp.org/blog/15736/economics/factors-that-affect-foreign-direct-investment-fdi/> [Accessed 9 May 2022].

Rachel, F., 2018. *Significance of 'Foreign Direct Investment' In Determining A Country's Economy | Forex Academy*. [online] Forex. Academy. Available at: <https://www.forex.academy/foreign-direct-investment/> [Accessed 9 May 2022].

Senkuku, A. and Khaleghi, B., 2018. Factors Influencing Foreign Direct Investment Inflow in Tanzania. *International Journal of Business and Management*, 10(7).

Susan, l., 2017. *Why Foreign Direct Investment Is Plummeting*. [online] The Balance. Available at: <https://www.thebalance.com/foreign-direct-investment-fdi-pros-cons-and-importance-3306283> [Accessed 9 May 2022].

Tanzania Port Authority. (2021). Dar es Salaam Port. http://www.tanzaniaports.com/port-services/dar-es-salaam-port/

UNCTAD. (2019). World Investment Report 2019. United Nations Conference on Trade and Development. https://unctad.org/system/files/official-document/wir2019_en.pdf

UNCTAD. (2020). World Investment Report 2020. United Nations.

UNCTAD. (2021). World Investment Report 2021. Retrieved from https://unctad.org/system/files/official-document/wir2021_en.pdf

United Nations Conference on Trade and Development (UNCTAD). (2020). World Investment Report 2020: International Production Beyond the Pandemic. UNCTAD

United Nations Development Program. (2018). Tanzania Human Development Report 2017: Social Policy for Inclusive Growth. https://www.tz.undp.org/content/tanzania/en/home/library/human_development/tanzania-human-development-report-2017.html

World Bank. (2019). Tanzania Economic Update: From an Agriculture-based Economy to a Human Capital and Skills-led Economy. https://www.worldbank.org/en/country/tanzania/publication/tanzania-economic-update-from-an-agriculture-based-economy-to-a-human-capital-and-skills-led-economy

World Bank. (2020). Tanzania Economic Update: The Long Road to Recovery. Retrieved from https://openknowledge.worldbank.org/handle/10986/33759

World Bank. (2021). Tanzania: Improving Infrastructure for Growth and Poverty Reduction. https://www.worldbank.org/en/country/tanzania/publication/tanzania-improving-infrastructure-for-growth-and-poverty-reduction

Zakeo, G. P. (2019). The Determinants of Foreign Direct Investment in Tanzania: An Empirical Analysis. International Journal of Economics, Commerce and Management, 7(9), 84-105.