

DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN PUBLIC SERVICE IN SOMALIA

¹Mohiadin Mohamud Abdullahi, ²Jamal Ali

¹Master of Science in Finance Student, Jomo Kenyatta University of Agriculture and Technology

²Senior Lecturer, COHRED, Jomo Kenyatta University of Agriculture and Technology

Abstract: The current globalization pressure which external pressure of trade and investment liberalization and globalization were relatively strong, funds from foreign countries are very important to support economic situation in emerging economy in Somalia, therefore, the competition for foreign fund in emerging market cannot be avoidable. Among FDI welcome developing counties are trying to change their infrastructure, increase incentive, and create good climate and policies for investment in order to attract FDI. Therefore, the Somalia government is working on a more attractive incentive package to encourage foreign investors by implementing new policies and incentive, without setting proper policies Somalia government could benefit the FDI. The general objective of this study was to examine the determinants of foreign direct investment in public service in Somalia. To find out the effects of Market-Seeking on foreign direct investment in Mogadishu, Somalia. To establish the effects of Resource-Seeking on foreign direct investment in Mogadishu, Somalia. To determine the effects of Efficiency-Seeking on foreign direct investment in Mogadishu, Somalia. A descriptive survey focuses on the research design and is concerned with addressing the particular characteristics of a specific population of subjects, either at a fixed point in time or at varying times for comparative purposes. The target population of this study was conducted employee of sea port, airport, public hospitals and road buildings in Mogadishu. The selected number of individuals were as a representative of the whole population under study. The formula which was used this study was Slog van's formula which is states the sample size of employee in Mogadishu seaport, Airport, Public hospitals and Road building. Data collection methods used included questionnaire. The data collected was analyzed using the software called Statistical Package for the Social Sciences (SPSS) and results shown in terms of frequency distribution and percentages. A regression model will be applied to determine the relationship between market seeking, resource-seeking and efficiency-seeking as the independent variables and Foreign direct investment as the dependent variable. Researcher recommends Government should establish foreign investment policies that can guide government to give foreign companies the activities that home investors cannot or that need huge amount of capital that is difficult to home business people. Government should make training and integration of the human resource of the country. This is to enable citizenry acquire skill; education and exposure that would enable them contribute positively to economic growth wherever they find themselves employed either with the foreign or domestic firms and whichever sector they are in.

Keywords: Market Seeking, Resource Seeking, Efficiency Seeking and Foreign Direct Investment.

1. INTRODUCTION

Specific Objectives:

1. To find out the effects of Market-Seeking on foreign direct investment in Mogadishu, Somalia.
2. To establish the effects of Resource-Seeking foreign direct investment in Mogadishu, Somalia.
3. To determine the effects of Efficiency-Seeking on foreign direct investment in Mogadishu, Somalia.

2. RESEARCH DESIGN

A descriptive survey focuses on the research design and is concerned with addressing the particular characteristics of a specific population of subjects, either at a fixed point in time or at varying times for comparative purposes. As such they do not share the emphasis in analytic designs upon control but they do share a concern to secure a representative sample of the relevant population. This is to ensure that any subsequent assessments of the attributes of that population are accurate and the findings are generalizable – in other words, they have population validity (John & et al, 2002). According to Lavrakas (2008), a research design is a general plan or strategy for conducting a research study to examine specific testable research questions of interest

3. MARKET-SEEKING ON FOREIGN DIRECT INVESTMENT

The study required to investigate the effects of Market-seeking on foreign direct investment. Table 1 summarizes respondents' level of agreement on how market-seeking 30 affects foreign direct investment. Most of the respondents agreed that the foreign direct investment made by the foreigners might differ as shown by a mean of 2.47. Also, most of the respondents agreed to the fact that market-seeking significantly affect the foreign direct investment to be used, reporting a mean of 2.56. Market-seeking can increase the investment fund and the number of employee that needs FDI reported a mean of 2.64. It was clearly indicated that market-seeking significantly affects the foreign direct investment. It is stated that where the FDI motive is market-seeking, the main drivers of FDI will be large market size, per capita income and significant opportunities for growth (Campos and Kinoshita, 2010; Brouthers, *et al.*, 2008).

Table 1: Market-seeking on foreign direct investment

Statement	N	Mean	S. D
The foreign direct investment influences by the market size of the host country.	45	2.80	1.408
The drivers of the FDI can be market size opportunities.	45	2.47	1.290
Market size can increase the investment fund and the number of employee that needs FDI.	45	2.98	1.438
Market size has a significant the FDI techniques.	45	2.56	1.341
The FDI are more interested in the profitability and the growth of the hosted country.	45	2.64	1.401

Resources seeking on foreign direct investment:

The study sought to establish the effects of Resources seeking on foreign direct investment. From the findings indicated in table 2 most of the respondents agreed that the lack of proper policies toward FDI in the host country will be benefit to FDI companies with a mean of 2.42 being obtained. The results also conquer with the findings on the question that was asked whether the Resource seeking and lack of proper policies will increase level of profit that FDI earned. The findings on this question obtained a mean 31of 2.47. This is because alternative locations might not be available to the investor or are generally limited (Cantwell, *et al.*, 2010). Historically resource-seeking has been the most important motive of FDI (Bitzenis, *et al.*, 2007). Resource seeking associated with the project is greater, the findings show that Turkey FDI companies are risk takers because they invested unsecure country like Somalia and FDI drivers are resource seeking obtain a mean of 2.51 and 2.60 respectively.

Table 2: Resources seeking on foreign direct investment

Statement	n	Mean	S. D
FDI drivers are resource seeking.	45	2.73	1.321
Lack of proper policies toward FDI in the host country will be benefit to FDI companies.	45	2.60	1.372
Resource seeking and lack of proper policies will increase level of profit that FDI earned.	45	2.51	1.290
The natural resources are the attractiveness of the FDI opportunistic in the hosted country.	45	2.47	1.254
Turkey FDI companies are risk takers because they invested unsecure country like Somalia.	45	2.42	1.438

Efficiency seeking on foreign direct investment:

The study sought to establish the effects of Efficiency seeking on foreign direct investment. Respondents agreed that the FDI companies are oriented by efficiency seeking policies as represented by a mean of 2.38, most of the respondents agreed that the level of payment system have no or small effect on foreign direct investment as showed by a mean of 2.53 and a mean 2.73 were obtained on the question whether FDI companies good for employee benefits, The level of physical and financial infrastructure can influence cost of investment a mean of 2.38. The findings of these studies are uncertain, since the relationship between efficiency seeking and foreign direct.

Table 3: Efficiency seeking on foreign direct investment

Statement	n	Mean	S.D
The FDI companies are oriented by efficiency seeking policies.	45	2.53	1.471
How about the level of payment system?	45	2.82	1.482
FDI companies good for employee benefits.	45	2.82	1.386
FDI has no any discrimination in their employee.	45	2.73	1.468
The level of physical and financial infrastructure can influence cost of investment	45	2.38	1.319

Table 4: Model Summary

Model	R	R2	Adjusted R2
1	.720	.518	.482

Model summary is a summary that describes how far the independent variables explain the dependent variables that mean the greater R value has the great number the greater independent variables explain with dependent variable. In order to test the research, a standard multiple regression analysis was conducted using foreign direct investment in public services as the dependent variable, and the three determinants of foreign direct investment: Market-Seeking, Resource-seeking and Efficiency-seeking as the predicting variables.

Table 5: Analysis of Variance

Model	ANOVA		Mean SquareF	Sig.
	Sum of Squares	df		
Regression	6.926	3	2.309	.000
Residual	6.452	41	.157	
Total	13.378	44		

From the ANOVA table 5, it is clear that the overall standard multiple regression model (the model involving constant, Market-Seeking, Resource-seeking and Efficiency-seeking) is significant in predicting how Market-Seeking, Resource-seeking and Efficiency-seeking determine foreign direct investment, Somalia. The regression model achieves a high degree of fit as reflected by an R2 of .518 (F = 14.670; P = 0.00 < 0.05).

4. CONCLUSIONS

Foreign direct investment decision has a strong positive and highly significant correlation on market-seeking, resource-seeking and efficiency-seeking. Foreign direct investment has been seen as an important decision made by governments with the aim of maximizing stakeholder value. In order to accomplish this objective, governments and investors are supposed to use suitable techniques when evaluating their projects in order for them to be able to come out with sound decisions. These can be used in helping governments and investors in making decisions on project to undertake. Based on the findings of this study, the following conclusions were drawn. The results reveal that Resource-seeking and efficiency-seeking have significant and positive effects on foreign direct investment, while market-seeking have insignificant effects on foreign direct investment with specific focus on the for public service in Mogadishu, Somalia

REFERENCES

- [1] Albert, W. &. -1. (2009). *Host country corruption level and Foreign Direct Investments inflows*. International Journal of Trade and Global Markets.
- [2] Asiedu, E. &. (2000)). *Discount Factors and Thresholds: Foreign Investment when Enforcement is Imperfect'*, Villamil.
- [3] Asiedu, E. (n.d.). *Foreign Direct Investment in Africa: The Role of Natural Resources, Market Size*. 2005: Government Policy.

- [4] Azam, M. (2010). *An Empirical Analysis of the Impacts of Exports and Foreign Direct Investment on Economic Growth in South*. South.
- [5] Ban, W. (2003). *Global economic Prospects*. Washington D.C: Bank W.
- [6] Bank, T. W. ((2011). *World Development Indicators*. Washington DC.
- [7] Bank, W. (2003). *Nigeria Policy Options for Growth and Stability*. Washington DC: The World Bank.
- [8] Bank, W. (2009). *Global Economic Prospects and the Developing Countries 2003*. Washington D.C.: Investing to Unlock Opportunities.
- [9] Eurostat. (2002). *European Union Foreign Direct Investment Yearbook 2001*. Luxembourg.
- [10] Udjo, E. S. (2000). Socio-economic indicators of development progress. South Afric: The Millennium Conference of Commonwealth 521 Statisticians.
- [11] UNCTAD. (2010). *Capital Flows and Growth in Africa*. New York: United Nations.
- [12] UNCTD. (2006). *FDI from Developing and Transition Economies*. New York and Geneva.
- [13] Xu, B. (2000)). Multinational enterprises, technology diffusion, and host- country productivity growth. *Journal of Development Economics*, 62(2), 477–493. Government of Ghana *Quarterly Digest of Statistics*. Ghana Statistical Service, Various Issues.
- [14] Killick, Tony (2002) *Development Economics in Action: A Study of Economic Policies in Ghana*. London: Heinemann.
- [15] Kobrin, S. (2009) 'When Does Political Instability Result in Increased Investment Risk?' *Columbia Journal of World Business XIII: 113-23*.
- [16] Charemza, W.W., and D.F. Deadman (2000) *New Directions in Econometric Practice*. Cheltenham: Edward Elgar Publishing Limited
- [17] Singh, H. a. (2005). *Some New Evidence on the Determinants of Foreign Direct Investments in Developing Countries*. Washington, DC:
- [18] Statistics., Q. D. (2008). *Direct Foreign Investment and Manufacturing for Exports in Developing Countries*. Helleiner, G.K.: Ghana Statistical Service, Various Issues.