
By:

Mukti Naran Patel.
(X75/22361/2008)
University of Nairobi
School of Economics
P.O. Box 30197
Nairobi, Kenya.

Submitted to the School of Economics in completion of the requirement for XEA 402: Research Paper.

AUGUST 2011
Abstract

The main objective of the study is to find out the determinants of foreign direct investment in Kenya. The determinants chosen are labour quality, market size, exchange rate and trade openness. The OLS estimation method for regression was used, using annual data covering the period 1990-2009. The results of the study show that there is a negative relationship between FDI inflows and trade openness. There is also a positive and significant relationship between FDI and market size. Exchange rate is positively related to FDI. However labour quality does not show any significant relationship with FDI.