UNIVERSITY OF NAIROBI
SCHOOL OF ECONOMICS

COURSE NAME: RESEARCH PAPER
COURSE CODE: XEA 402

RESEARCH TOPIC:
“THE EFFECT OF FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH IN KENYA 1970-2010”

GROUP MEMBERS: REG. NO’S: MOBILE NO.

- NOKISHO K. MOSES X74/3618/2008 0710908985
- WAKHUNGU S. JACOB X74/3655/2008 0728495936
- MARIU JUDY WANGARI X74/3696/2008 0729028044
- MURIUKI PAUL KARIMI X75/2952/2008 0720004208
- NJAU N. SAM SIMON X75/3810/2008 0724130467

SUBMITTED TO THE SUPERVISOR: DR. AWITI J. O.

THIS RESEARCH PAPER IS SUBMITTED IN PARTIAL FULFILLMENT FOR THE AWARD OF DEGREES IN BACHELOR OF ECONOMICS AND BACHELOR OF ECONOMICS AND STATISTICS AS A REQUIREMENT BY THE UNIVERSITY OF NAIROBI.
ABSTRACT

In view of the acknowledged merits of FDI as a tool of economic growth and development, most developing countries have prioritized the attraction of FDI as their main economic development agenda. Kenya being a member of New Partnership for Africa’s Development (NEPAD) - whose objective is to boost foreign investment, has not been left behind in attracting FDI.

This study seeks to investigate the impact of FDI on various sectors of the Kenyan economy. Studies in the past have examined the determinants of FDI and its effect on economic growth of developing countries, Kenya included. However, research on the influence of foreign direct investment at sectoral level has not been covered in most of the studies. This study will examine the impact of foreign direct investment at sectoral level in Kenya for the period 1970 to 2011 using secondary data sourced from Annual Statistical Bulletin from CBK (1970-2011), Statistical Abstracts (1970-2011), Facts & Figures (2011) from KNBS and World Investment Directory (WID) from UNCTAD.

Previous studies have shown that determinants of FDI in Kenya are infrastructure development, return on investment on capital, openness to trade, human capital, government size, political risk and macroeconomic policies. FDI in Kenya has been channeled mainly to the following sectors; agriculture, manufacturing, tourism, services and telecommunication.

**Keywords:** Foreign Direct Investment, Kenya, economic growth and sectoral.