The determinants of FDI inflow in Kenya

University of Nairobi
ABSTRACT

This paper explores the determinants of FDI inflows in Kenya, covering the period from 1970 to 2011. It focuses on locational determinants of FDI inflows and is guided by the Dunning Eclectic Paradigm. The determinants used are market size and growth, economic stability, foreign aid, human capital and openness of the economy to trade and data analysis is based on OLS estimation. The results indicate that the most significant determinants are market size and growth and openness of the economy to trade which have a positive influence on FDI inflows. Human capital and foreign aid have a positive relationship while economic stability has a negative relationship with FDI inflows. These three factors are however not significant. The results imply that policies that promote increased market size and growth and openness of the economy to trade should be put in place so as to attract more FDI to the country.