A STUDY OF THE RELATIONSHIP BETWEEN FOREIGN DIRECT INVESTMENT AND ECONOMIC POLICY IN SOUTH AFRICA

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Abstract – The purpose of the study was to identify and quantify differential factors that affect the flow of Foreign Direct Investment (FDI) into South Africa from the rest of the world. The study was based on data collected from a random sample of 217 practitioners (foreign exchange traders, market researchers, data analysts, consultants, brokers, clerks, advisors and administrative assistants) working in the South African foreign exchange market. The objective of study was to assess and evaluate key factors that affect the flow of FDI into South Africa. Data was gathered from eligible respondents by using a structured, pre-tested and validated questionnaire of study. The design of the study was descriptive and cross-sectional. Data analyses were performed by using methods such as frequency tables, crosstab analyses, logit regression analysis and Monte Carlo Marov Chain (MCMC) algorithms. The study found that 170 of the 217 respondents (78.34%) who took part in the study had a positive perception on the suitability of South African policies and regulations governing FDI operations, whereas the remaining 47 respondents (21.66%) had a negative perception on the suitability of South African policies and regulations governing FDI operations. Results obtained from data analyses showed that the ability to attract foreign direct investment into South Africa was significantly influenced by 3 factors. These 3 factors were the provision of economic incentives to potential investors, the pace of trade liberalisation and privatisation, and high expected rates of return on investments made in South Africa, in a decreasing order of strength.

Keywords: Foreign Direct Investment, South Africa, Economically enabling environment, Odds ratio

INTRODUCTION AND BACKGROUND TO STUDY

According to UNCTAD (2017), the total amount of FDI has grown from 34 Billion USD 2006 to 1.7 Trillion American Dollars in 2015 worldwide. Studies conducted by Fauconnier and Mathur-Helm (2008) and Gereffi and Sturgeon (2013) showed that world economies are global in nature, and that developing nations have the ability to influence the flow of FDI in favour of their local economies. They should do this by creating economically enabling and attractive macroeconomic and political conditions in order to have their share of 1.7 Trillion USD in FDI money. Nistor (2015) has shown that lack of macroeconomic stability and the absence of an economically enabling environment are well-known causes of failure in attracting enough FDI into the local economy. Boodle (2013) has shown that the ability of nations to attract large magnitudes of FDI into national economies depends upon the following factors: resource seekers, market seekers, efficiency seekers, strategic asset seekers, and the need to create wealth by selling and buying goods and services of value.

The world economy is global in nature. As such, many nations compete constantly for FDI against each other. In this regard, the winners are nations that create an economically enabling macroeconomic condition at a local and global scale. According to UNCTAD (2017), the key determinants of the ability of nations to attract FDI are the global and fragile nature of the world economy, persistent weakness of aggregate demand, effective policy measures to curb tax inversion deals and a slump in MNE profits, the continuing drop in oil and low commodity prices, macroeconomic factors such as geopolitical uncertainty, exchange rate volatility and debt concerns in emerging markets, as well as other concerns such as terrorism and cyber threats. Moran (2012) has pointed out that lack of economic certainty is a key reason why South Africa often fails to attract FDI globally.

According to Marivate (2014), Edoho (2015) and Worku (2016), adherence to good corporate governance principles has the potential for creating an economically enabling environment and for boosting investor confidence locally and globally. Although the South African Government has issued various White Papers and Acts on the alleviation of abject poverty and unemployment among the majority population, the progress that has been made to date in terms of the reduction of abject poverty and unemployment among the majority population has been grossly inadequate. Nistor (2015) has shown that the ability to attract FDI is a key requirement for sustained growth and development in South Africa.

Musila and Sigué (2006) and Recep and Bernur (2009) have reported that South Africa often fails to attract large magnitudes of FDI due to stringent labour laws, uncertainty in macroeconomic policy, civil unrest, the perception of corruption, the perception of lack of good corporate governance, and a growing population with no skills and massive burden of occupational and communicable diseases. According to Asah, Fatoki and Rungani (2015), the business incubation programme operated by the South African National Department of Trade and Industry (DTI) and the Small Enterprise Development Agency (SEDA) have not reduced the level of poverty and unemployment in South Africa.

In a study conducted in various townships in Gauteng Province, Seeletse (2012) has shown that the curriculum provided to learners at the undergraduate level does not prepare the youth for entrepreneurial activities and careers. The author has pointed out that the current curriculum lacks relevance to the practical needs of SMMEs that are operated by novice and emerging entrepreneurs in most South African townships. Developing countries such as South Africa must be able to attract huge amounts of foreign direct investment (FDI) in order to create jobs for the unemployed. Henrekson (2014) Holmes *et al.* (2013) have also pointed out that liberalising labour laws, adherence to good corporate governance principles, economic certainty and respecting the rule of law are quite helpful for developing nations such as South Africa to attract large magnitudes of FDI.

According to Henrekson (2014), South Africa offers vast potential opportunity for FDI inflow due to its ideal location, modern infrastructure and favourable weather condition. There is a shortage of studies that had the potential for identifying and quantifying key determinants factors affecting the ability of South Africa to attracting large magnitudes of FDI. The proposed study aims to fill the gap by collecting empirical data from the relevant sources in South Africa.

LITERATURE REVIEW

FDI tends to occur when a firm invests resources (buying land, issuing of shares, construction of buildings, or buying of equipment, all of which involve long-term relationships) into business activities outside its home country. It is important to note that these investments are achieved through share acquisition or through starting up a new company. Hill (2007), in his definitions, sees the purchase of land, equipment or buildings as an investment; while Kyereboah-Coleman and Agyire-Tettey (2008) stress a long term of the investment which builds a relationship between an investor and it foreign affiliate.

AN OVERVIEW OF THE SOUTH AFRICAN ECONOMY

The South African economy is based on the export of commodities such as minerals. In 1994, 60% of exports were mineral products and mining contributed 10% of the GDP (South Africa, 2013:84). Furthermore, since 1970 up to 1994 the state of SA enjoyed 24 years of sustained economic growth, with per capita GNP growing to a high of US$ 1,380 in 1992; while Côte D'Ivoire per capita GNP was US$ 812 and the Economic Community of the west African State (ECOWAS) was US$ 830 (UNCTAD, 2016b).

According to UNCTAD (2017c) Foreign Direct Investment (FDI) grew from US$ 5 835 million in 1970 to US$ 16 465 million in 1980 and fell to US$ 12 615 million in 1994. This fell observed could be explained by the international mobilisation for political and economic sanctions against the apartheid regime in the 80's (SAHO, 2011).

The New Growth Path (NGP) and the National Development Plan (NDP) of 2010 and 2012 respectively were introduced with the aim of maintaining economic stability, while seeking economic transformation and increasing productivity through micro-economic interventions (South Africa Government, 2013:84). These measures have positively influenced the economy, which opened to global trade and investment, economy sectors such as financial, agriculture and commodity boomed added the same source. Investment grew from under 15% of GDP in 1993 to 24,8% of GDP in 2008 before falling to 19.2% of GDP in 2013 and the share of the public sector in overall fixed investment rose from under 30% in 1994 to 38% in 2013 (South Africa reserve bank, 2016:88-89). As presented by UNCTAD (2017c) FDI grew from US$ 15 014 Million in 1995 to reach US$ 179 565 million its highest ever in the entire history of the country, then fell to US$ 149 962 million in 2017.

The SA offers enormous potential for FDI. The Government of South Africa encourages Foreign Direct Investment, as part of that country's Industrial Policy Action Plan (IPAP) implemented in 2007 with the aim of reducing poverty, inequality and unemployment through the mobilisation of more investment for its industrialisation (South Africa, 2015b). That new policy seeks to promote and stimulate FDI through bureaucracy elimination, reduction of cost of investment and the establishment of efficient official procedures. It provides incentives and exemption from tax and customs duties for and guarantees to the investor both national and international. According to South Africa (2018c) , the South African government , in an effort to reposition itself in the world economy, has established the Industrial Development Zones (IDZ) programme with the aim of attracting Foreign Direct Investment and exporting of value-added commodities.

INTERNATIONAL TRADE THEORIES, GLOBALIZATION AND FDI

Table 1: Summary of International Trade Theories

Mercantilism Theory	The main tenet of mercantilism is that, it is in a country's best interests to maintain a trade surplus, to export more than it imports, (Hill, 2009:168-171)
Adam Smith Theory of Absolute Advantage	According to Hill (2009:171) Smith emphasizes that: a country should specialize in the production of goods for which they have an absolute advantage and then trade these for goods produced by other countries.
Ricardo's Theory of Comparative Advantage	Ricardo showed in his book called Principles of political economy (1817) that it is beneficial for a country to specialize in the production of those goods that it produces most efficiently and to buy the goods that it produces less efficiently from others countries, even if this means buying goods from other countries that it could produce more efficiently itself (Hill, 2003:145)
Heckscher-Ohin Theory	According to Hill (2003:152) Eli Heckscher (in 1919) and Bertil Ohlin (in 1933) predicted that countries should export goods that make intensive use of factors that are locally abundant (cheaper), while importing goods that make intensive use of factors that are locally scarce (expensive)
Leontief Paradox	In 1953, Leontief, on the publication of his study, raised questions about the validity of Heckscher-Ohlin theory. He then postulated that the United States should be an exporter of capital intensive goods and importer of labour intensive goods since the U.S has abundance in capital and less in labour compared to other nations, which he found that wasn't always true, thereafter known as Leontief paradox (Hill, 2003-153).
Raymond Vernon Product Life Cycle Theory-Cycle Theory	According to Hill (2009:183-184), proposed in the mid-1960s, Vernon's product life-cycle theory is based on new product stages. Thus the production of the new product will start in home country where it has been developed then will be shifted to developed countries. At the mature phase, the production will then move to developing countries due to cost savings.
New Trade Theory	Emerging in the 1970s when economist's studies pointed out a firm's ability to attain economies of scale, which might have important implications for international trade. Economies of scale are unit cost reductions associated with a large scale of output (Hill, 2009:186).

Source: Hill (2003, 2009)

Oviatt and McDougall (2005:540) said that, "International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities-across national borders-to create future goods and services". International trade occurs when a firm exports goods and services to consumers in another country. That author emphasized that, "many of the barriers to international prior to World War II were exorbitant import tariffs on manufactured goods. The typical aim was to protect domestic industries"(Hill, 2003:8). According to Daniel (2018a, 2018b) the country shipped US$ 89.5 billion of goods around the globe in 2017 among which are; precious metals, ores, mineral fuels including oil, vehicles, iron, steel, machinery including computers, fruits and nuts, aluminium, beverages and several other manufactured products. 32% of the country exports by value are delivered to Asian importers while 26.3% are sold in Africa and has imported goods from around the world worth of US$ 83,2 billion for the same period which include but not limited to; machinery including computers, mineral fuels including oil, manufactured products, chemical goods, Inorganic and organic chemicals, pharmaceuticals, plastics and medical apparatus etc.

Recep and Bernur (2009) point out that, trade has traditionally been the principal mechanism by which economies are linked in order to create an "international economy". However, the latter authors also point out that FDI is also capable of linking national economies. It follows therefore that Trade and FDI as Economic mechanisms do reinforce one another. The trade effects of FDI depend on the following; 1) whether undertaken to gain access to natural resources, or consumer markets or 2) whether the FDI is aimed at exploiting local comparative advantage or 3) whether other strategic assets such as research and development capabilities exist. For Alagiriswamy and Villalan (2018:128) the rapid expansion in FDI by multinational enterprises since the mid-eighties is attributed to significant changes in technological front, greater liberalization of trade and investment regimes, and deregulation and privatization of markets in many countries. He added that, to attract more FDI, the developing economies open up and liberalize to significant level.

World Trade Organization (1998) report makes the point that member countries agree in regards to their assessment of the positive contributions of FDI towards Economic Development and growth in Trade. Many developing countries recognize the positive contributions of FDI in terms of its growing importance within host economies and as a vehicle for the transfer of tangible assets. These observations add force to the argument that a consensus is emerging in regards to the complementary relationship between Trade and FDI.

Despite the observations made above in regards to the possible relationship between Trade and FDI, the debate on the relationship between these two economic mechanisms has been unequivocal. Whereas, Bayoumi and Lipworth (1997), Ma, Morikawa and Shone (2000), and Helpman, Melitz and Yeaple (2004) found that a substitute relationship exists between the two, in contrast, Brainard (1997) and Clausing (2007) found evidence of a complementary relationship existing between FDI and international trade. Adding to this divergence of opinions, Head and Ries (2002) and Swenson (2004) found substantial evidence for the presence of both substitute and complementary relationships between FDI and International Trade. The latter view finds support from writers such as Zarotiadis (2008) who argue that "the world pattern of FDI is remarkably similar to the world trade pattern. Yet the mainstay theory of FDI posits FDI as an explicit alternative to trade."

FACTORS THAT AFFECT THE INFLOW OF FOREIGN DIRECT INVESTMENT

Factors that affect the inflow of Foreign Direct Investment (FDI) may not have the same impact in investors' decisions to invest in a particular foreign market. It follows therefore that every investor will seek to work with an influencer that has specific impacts on their investment decision. The implications are that an influencer may be deemed necessary for FDI inflow in one location but not necessarily in another. This reality presents a level of difficulty in ascertaining accurately just which factors represent the most important determinants of FDI. The pioneer to address this issue was Ohlin (1952:39-43), he said that FDI was motivated mainly by the possibility of high profitability in growing markets along with the relative low cost rates of investment in the host country. Chen, Geiger and Fu (2015:7) said that the decision factors to invest in a foreign country range from economic, political, and social factors to cultural factors and added that these factors tend to be mutually reinforcing.

Dunning (1993;1994), Gilmore, O'Donnell, Carson and Cummins (2003), and Mottaleb (2007) support the view that policy framework is an important FDI influencer. Narula (2014:65) said that, developing countries have largely liberalised their policies towards FDI, and have taken a passive approach to attracting FDI flows, and paid insufficient attention to the nature of the benefits and costs associated with embedding subsidiaries and exploiting externalities.

Buzzell and Gale (1987:8), said that: market share and profitability are strongly related, therefore business units with very large market shares enjoy rates of return more than three times greater than small-shares business units. Wang and Swain (1995) find out that a larger market brings in higher returns on investment by allowing a more efficient utilization of resources and the exploitation of the economies of scale.

Chen, Geiger and Fu (2015:8) have presented the following as economic influencers of FDI into three categories:

- Resource seeking FDI include an availability of natural resources; raw materials; sheep labour, good infrastructure
- Market seeking FDI include market size and market growth; regional and global market accessibility; domestic market structure; export; per capita income and consumer preferences.
- Efficiency seeking FDI include cost of local labour and of production; inflation rate; skills of the labour force and quality and efficiency of infrastructure.

Dunning (1993;1994), Gilmore *et al.* (2003) and Mottaleb (2007) have all presented the importance of infrastructure as Foreign Direct Investment influencers. As an example, Gilmore *et al.* (2003) mention that infrastructure in the context of FDI incorporates such factors as expenditure on roads, transport and hospitals. She also explains that it is related to the factor of "quality of life," which is regarded as an increasingly important incentive in attracting foreign investors, by encouraging senior personnel to locate to a region. In favour of the important role that infrastructure plays as FDI determinants, Asiedu (2002:111) confirmed that: good infrastructure increases the productivity of investments and therefore stimulates FDI flows.

According to Dunning (1988) and Katsioloudes and Hadjidakis (2007), endowment with natural resources, particularly labour and raw materials, are widely acknowledged as influencing a firm's FDI decision-making processes. Asiedu (2006) has found out that natural resources promote FDI inflows. The geographical location of a country is considered to be one of the key advantages of FDI attraction to that country (Coskun, 2001:222).

Table 2: Challenges and benefits of FDI

CHALLENGES OF FDI	BENEFITS OF FDI
Culture, ethnics and entry mode to the new market, environmental aspects and consideration, and implementation of change regarding home management or marketing practices, resulting in loss for the home country (Hill, 2007:268-276)	According to Hill (2007:268-276), market expansion, first mover advantages, economies of scale and the positive balance of payment from the year of return on investment are among home country benefits of FDI.
Bongumusa, Contogiannis and Kaseeram (2017:1) provided strong evidence of a significant negative relationship between FDI and employment levels in the South African economy and furthermore indicate that employment levels are highly influenced by an increase in the economic growth (GDP).	Gorynia, Nowak, Trąpczyński and Wolniak (2015:234-237) identified the following such as strengthening the competitiveness of MNCs and increasing the economy's productivity levels as primary benefits; increase in profitability, augment capabilities through asset acquisition abroad and the synergistic combination of the acquired assets with their own capabilities. Increase tax revenues, imports and exports, share folder-value creation and labour-force skill development as several secondary benefits for home country.
Culture, ethnics and entry mode to the new market, environmental aspects and consideration, and implementation of change regarding home management or marketing practices, will result in lack of	Ramasamy and Yeung (2010:6) identified the following benefits from FDI for the developing countries: transfer and learning of new competencies in order to increase productivity, new

development for host country (Hill, 2007:268-276)	technology and the foundations for research and development (R&D.
The occurrence of natural disasters was found to have a negative effect on FDI flows by Anuchitworawong and Thampanishvong (2015:320)	Employment is potentially a major FDI benefit for a host country (Hill, 2007:268-276; Ngowi, 2001; UNCTAD, 2005/2006)
Egger and Raff (2015) observed that changes in corporate tax systems will lead to tougher FDI flow.	Resources transfer, such as capital, technology and management (knowhow) transfers, are FDI benefits for the host country (Hill, 2007:268-276)
Kyereboah-Coleman and Agyire-Tettey (2008), FDI has proved to be resilient during financial crises; Exchange rate volatility/fluctuations.	
Cambazoglu and Simay Karaalp (2014:437) said that, outward FDI is not supported in developing countries due to its negative effects on promoting capital outflows from the economy.	
Mucuk (2011) said that; intervention in national issues, cultural change, technological dependency, exclusion of the national capital, reduction of tax revenues, environmental pollution and balance of payments have a negative effects on FDI flows.	
Voy (2012) found a negative effect of FDI on child labour.	
inter-regional Economic disparities as a result of the uneven distribution of FDI, were also presented as challenges by Sun (1998:691)	

Source: UNCTAD (2017)

A report issued by UNCTAD (2017) shows that South Africa has managed to attract 1.7 Billion American Dollars in FDI between 2008 and 2015, when in fact, it should have attracted 9.2 Billion American Dollars. A study conducted by Marivate (2014) has shown that the key causes of failure in this regard are lack of relevance of training and support programmes to the practical needs of emerging entrepreneurs. According to Worku (2016), a key obstacle is shortage of entrepreneurial skills. Edoho (2015) has reported that South Africa often fails to attract FDI due to lack of economic certainty and failure to implement the National Development Plan (NDP).

A report issued by South African Government (2016) shows that South Africa has immense potential for attracting FDI at massive scales, and that the creation of an economically enabling macroeconomic environment must be made a top strategic priority of the South African Government. The best example of a nation in this regard is the USA. FDI follows into the USA from all over the world because the USA is viewed as a stable and predictable economy in which the rule of law prevails at all times. According to Jonathan and Diane (2004:87), FDI flows freely from nations in which there is a lack of macroeconomic certainty and stability to nations in which there is ample macroeconomic certainty and stability. A report issued by South Africa government (2010) shows South Africa often loses FDI due to reasons such as lack of economic certainty, labour unrest, high crime rate, and failure to implement the National Development Plan (NDP). Although South Africa is a member of BRICS (Brazil, Russia, India, China and South Africa), membership of BRICS has failed to boost the ability of South Africa to attract FDI.

The conceptual framework of this study is adapted from the study conducted by (Cui, Meyer & Hu, 2014). This conceptual framework has assisted the authors to identify key factors contributing to firms' strategic intent to catch-up by acquiring strategic assets abroad and for example, they have found out that firms' strategic assets seeking intent of FDI in the case of China firms was influenced by their exposure to foreign competition, their governance structure, and relevant financial and managerial capabilities (Cui, Meyer & Hu, 2014:488). According to (Hill, 2007:10), Foreign Direct Investment occurs when a firm invests resources in business activities outside its home country. According to Jonathan and Diane (2004:87), Foreign Direct Investment means investing directly in production in an overseas market, usually by purchasing or buying a part-share in an existing business. Establishing a new business is called Greenfield Investment. The United States is one of the largest foreign direct investors and the majority of its activities take the form of mergers, as opposed to setting up of new subsidiaries. Asian countries, like China, Hong Kong and Singapore, are the greatest recipients of FDI after the United States. Africa, they add, has never been a major recipient of FDI flows and, as a result, it lags behind other regions of the world like South Africa.

This study has the potential for identifying and quantifying key determinants of the ability of South Africa to attract large magnitudes of FDI into the country. According to Korschun, Bhattacharya and Swain (2014), the ability of developing nations to attract FDI is a critical requirement for job creation and alleviation of poverty. South Africa needs to attract massive foreign direct investment in order to grow its economy on a sustainable basis, and to alleviate massive socioeconomic problems such as unemployment and abject poverty among the majority of population. Although some progress has been made since April 1994, unemployment and poverty among the majority population are still significant causes of concern in South Africa.

RESEARCH QUESTIONS

The study aims to provide adequate answers on how large FDI is being attracted at the moment and what is the most appropriate strategy for attracting it into South Africa? Also how does South Africa fare in comparison with the rest of the world with regards to attracting large magnitudes of FDI into the country? Furthermore, what strategies are most suitable for increasing the magnitude of FDI South Africa is capable of attracting into the country at the moment and what are the key barriers to attracting FDI into South Africa at the moment?

Study design and sample size of study

The design of study was descriptive and cross-sectional (Hair *et al.*, 2010). The sample size of study was 217 (Levy & Lemeshow, 2013). Statistical methods of data analyses such as frequency tables, Pearson's chi-square tests of association (Hair *et al.*, 2010) and logit analysis (Hosmer & Lemeshow, 2013) were used in the study.

Data collection

Data were gathered from each of the 217 enterprises selected for the study by using a pretested, standardised and validated questionnaire of study. Data was collected from each respondent by using a self-administered questionnaire of study on a total of 36 variables of study. Data was collected on socioeconomic variables such as highest level of formal education, job description, number of years of experience, race, and the perception held by respondents on the macroeconomic policy followed in South Africa on factors that affect free trade with the rest of the world, and the ease of importing and exporting goods, services and currency, the cost of labour, perception on labour laws and legislation, and factors that affect the basic operational needs and requirements of entrepreneurs in South Africa. As part of the study, data was collected from foreign exchange practitioners who perform various duties in the course of importing and exporting goods and services.

Statistical methods of data analyses

The dependent variable of study (Y) is a measure of the perception held by respondents on the suitability of regulations that affect the ability of South Africa to attract foreign direct investment (FDI) into South Africa. A composite index was generated based on indicators of the ability of developing nations to create an economically enabling environment. This was done by using a composite index defined by Sambharya and Rasheed (2015:2-24).

Accordingly, the dependent variable of study was defined as a dichotomous variable (a variable that can have 2 possible values only). Thus, each one of the 217 respondents of study was allocated a score for perception. The dependent variable of study (Y) had two possible values (Positive, Negative). In symbols, the variable Y had two possible values:

$$Y = \begin{cases} 1 & \text{if perception is negative} \\ 0 & \text{if perception is positive} \end{cases}$$

$X_1, X_2, \ldots, X_k$ are independent or explanatory variables that affect the perception held by respondents (Y). Three statistical procedures of data analysis were used in the study. These were frequency tables, cross-tab analyses (Pearson's chi-square tests of association), and logit analysis.

The study was based on data collected from a random sample of 217 practitioners (foreign exchange traders, market researchers, data analysts, consultants, brokers, clerks, advisors and administrative assistants) working in the South African foreign exchange market. The objective of study is to assess and evaluate key factors that affect the flow of FDI into South Africa. Data was gathered from eligible respondents by using a structured, pre-tested and validated questionnaire. The study is designed as descriptive and cross-sectional. Data analyses is performed by using methods such as frequency tables, cross-tab analyses (Hair, Black, Babin & Anderson, 2010) and structural equations modelling, logit regression analysis (Hosmer & Lemeshow, 2013), and Monte Carlo Marov Chain (MCMC) algorithms (Browne & Goldstein, 2010:453-473). Face validity is used for ensuring validity, whereas the Cronbach Alpha test is used for ensuring reliability and internal consistency (Ritchie, Lewis, Nicholls & Ormston, 2013).

RESULTS AND DISCUSSIONS

A summary of the frequency proportions that indicate the general characteristics of the 217 foreign currency traders who were selected for the study is presented in Table 3.

Table 3: General characteristics of respondents (n=217)

Variable of study	Frequency count (Percentage)
Perception on suitability of FDI related policies and regulations by the standards of Sambharya and Rasheed (2015)	Positive: 170 (78.34%) Negative: 47 (21.66%)
Gender of respondents	Male: 146 (67.28%) Female: 71 (32.72%)
Age category of respondents	18 to 30 years: 31 (14.29%) 31 to 40 years: 90 (41.47%) 41 to 50 years: 71 (32.72%) 51 to 60 years: 23 (10.60%) 61 years or more: 2 (0.92%)

Duration of service in years	Less than 5 years: 24 (11.06%) 5 to 10 years: 90 (41.47%) 11 to 15 years: 38 (17.51%) 16 to 20 years: 35 (16.13%) 21 years or more: 30 (13.82%)
Duties of respondents in the foreign exchange market	Trader: 58 (26.73%) Broker: 67 (30.88%) Administrative assistant: 22 (10.14%) Advisor: 7 (3.23%) Clerk: 24 (11.06%) Consultant: 18 (8.29%) Data analyst: 9 (4.15%) Market researcher: 12 (5.53%)
Highest level of education	Matric level or less: 0 (0.00%) Certificate: 9 (4.15%) Diploma: 12 (5.53%) Bachelor's degree: 165 (76.04%) Master's degree: 28 (12.90%) Doctoral degree or above: 3 (1.38%)

The study found that 170 of the 217 respondents (78.34%) who took part in the study had a positive perception on the suitability of South African policies and regulations governing FDI operations, whereas the remaining 47 respondents (21.66%) had a negative perception on the suitability of South African policies and regulations governing FDI operations. Results also shows that about 67% of respondents were male. About 42% of respondents had ages of 31 to 40 years.

The findings revealed that 78.3% (n=170) of the respondents of this research survey had a positive perceptions about the suitability of policies and regulations that are related to foreign direct investment (FDI) by the standard of Sambharya and Rasheed (2015:2-24); 48% (n=103) had worked as foreign exchange traders for more than 10 years and 79% (n=171) of the respondent were either foreign exchange traders, brokers or advisors, consultant or market researchers, which strengthened this study as they were individuals who already possessed integral knowledge of the subject understudy, on the one hand, and, on the other, they were thus able to provide the right and meaningful information.

Figure 1: Activities performed by respondents on a regular basis

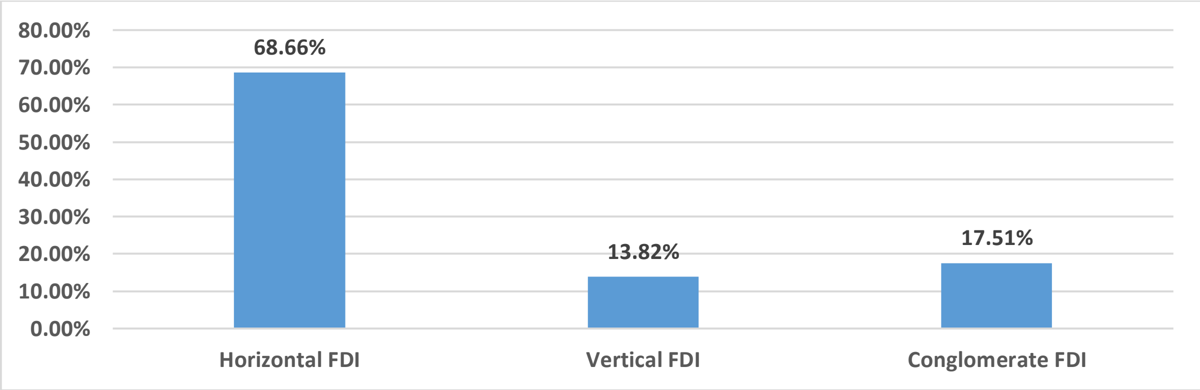
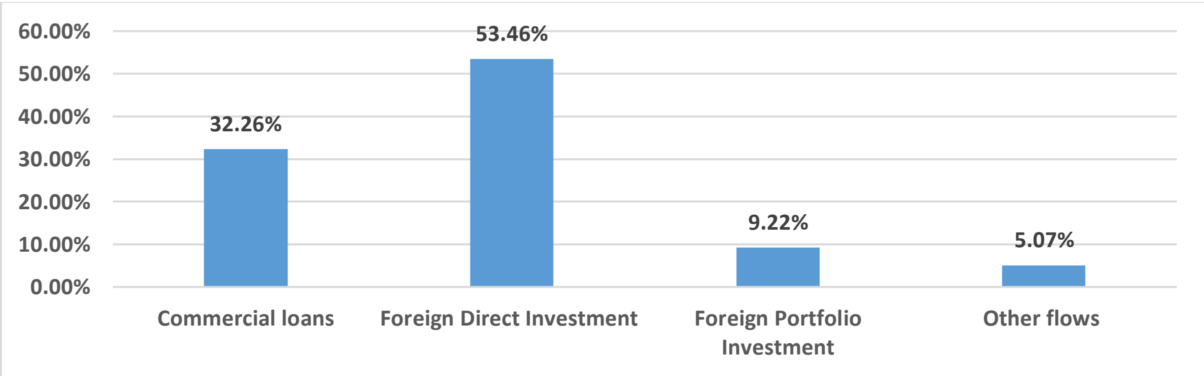
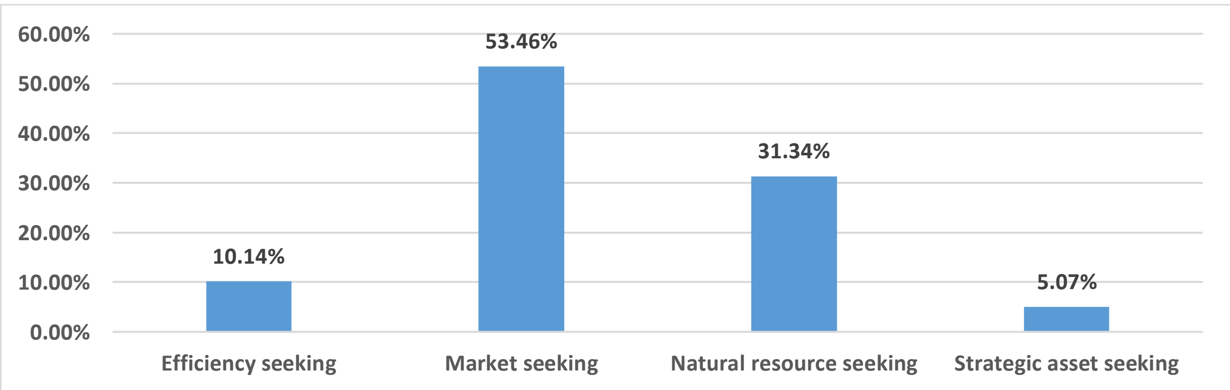


Figure 2: Types of investment activities carried out by respondents



Among the respondents, 90.38% (n=196) have postgraduate degree and all 217 respondents have either conducted horizontal (69%), vertical (14%) or conglomerate (17%) FDI activities. Our finding presents horizontal FDI as the most recently method used by investors in South Africa and According to According to Hill (2005:241), Horizontal Foreign Direct Investment occurs when a business invests in a similar form of industry to what it is involved in at home. We can then conclude from Hill (2005:241), that most recent firms investing in South Africa are investing in similar form of industry to what they are involved in at home. 94% (n=206) of respondents handled on a regular basis commercial loans, FDI activities or Foreign portfolio investments activities.

Figure 3: Primary objective of investment



Another finding was that all types of primary objectives of FDI mentioned by Dunning (1993:56-62) such as (i) the resource seekers, (ii) the market seekers, (iii) the efficiency seekers, (iv) the strategic asset seekers, were the activities carried out by all respondents 217 and market and natural resource seeking with 53%(n=116) and 31%(n=68) respectively are the most currently primary objectives of FDI in South Africa. 97%(n=211) of the respondents worked on regular basis on FDI entry mode either mergers (21%), acquisitions (4%) or joint ventures (72%). Hawkins and Lockwood (2001), Bhaumik and Gelb (2005:16) have found out that wholly owned and acquisition were the most entry FDI mode used by investors into South Africa while our finding shows that joint venture is the most entry mode followed by merger and according to Meyer *et al.* (2009) joint venture is used to access many resources in a weaker institutional framework but in the opposite, acquisition is used to access resources that are tangible and organizationally embedded. Hong (2008), says that this type of entry mode was the dominant one in China because, before 1999, nearly 40% of foreign investments were joint-ventures and Herrmann and Datta (2006) indicate that this type of entry mode is preferred by older CEOs.

Table 4: Results obtained from Pearson's chi-square tests of associations

Factors that affect the flow of foreign direct investment (FDI) into South Africa	Observed Pearson chi-square value	P-value
FDI is important for providing investment incentives to potential investors (investors)	88.8660	0.000***
FDI is vital for ensuring trade liberalisation and privatisation in the South African economy (free trade)	79.4188	0.000***
FDI is vital for ensuring high expected rates of return on investment (return)	74.9850	0.000***
FDI is vital for promoting bilateral treaties with nations of the world (bilateral)	65.1859	0.000***
FDI is important for improving educational standards (educational)	21.1625	0.000***
FDI is vital for ensuring technological advancement in South Africa (technology)	19.4547	0.000***
FDI is vital for minimising corruption and bureaucracy (corruption)	19.4547	0.000***
FDI is vital for ensuring political stability in South Africa (stability)	13.7804	0.000***
Level of education (education)	11.8482	0.001**
FDI is vital for promoting the sale of South African goods and services to the rest of the world (sale)	10.5096	0.001**
FDI encourages foreign investors to use South Africa as an export base (export base)	7.5385	0.006**
FDI is important for improving the legal environment for conducting investment and business (legal)	6.6297	0.010*
FDI is important for ensuring cooperation between the South African Government and locally owned firms (local)	6.6278	0.010*
FDI is important for ensuring equal treatment of foreign	4.7184	0.030*

firms with locally owned firms (equal)		
FDI is important for improving financial capability and infrastructure (financial)	4.1678	0.041*

The results obtained from data analyses showed that the ability to attract foreign direct investment into South Africa was significantly influenced by three factors. These three factors are the provision of economic incentives to potential investors, the pace of trade liberalisation and privatisation, and high expected rates of return on investments made in South Africa, in a decreasing order of strength.

38% (n=82) of the respondents believe that FDI is important for providing investment incentives to potential investors can be an influencer in investor decision process to invest in South Africa. In addition, with 88.8660 for the Pearson chi-square value, the highest for the top four from this test, reveal the importance of this factor for investors. The logit analysis of the variable "The provision of economic incentives to potential investors" is equal to 5.15. This indicates that providing economic incentives to potential investors increases the likelihood of securing foreign direct investment by a factor of 5.15. Chen, Geiger and Fu (2015:8) have emphasized the importance of trade openness and have said that; tax policy including tax holiday and/or incentives; trade policy; policies affecting economic, political and social stability (monetary, fiscal, exchange rate policies); rules regarding entry and operations and sectoral policies are regarded as policy framework for FDI. Dunning (1993;1994), Gilmore *et al.* (2003), and Mottaleb (2007) support the view that policy framework is an important FDI influencer. Narula (2014:65) said that, developing countries have largely liberalised their policies towards FDI, and have taken a passive approach to attracting FDI flows.

With regard to this study, according to South Africa (2013:84), The preceding government of President Nelson Mandela, main economic objectives were to focus on sustainable and diversified economic growth in order to create more jobs, eliminate poverty and reduce inequality. Several policies were introduced. The introduction and adoption of new fiscal and monetary policies such as Growth, Employment and Redistribution (GEAR) strategy, follow by the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) in 2006, the New Growth Path (NGP) of 2010 and the National Development Plan (NDP) in 2012 with the aim of maintaining economic stability, while seeking economic transformation and increasing productivity through micro-economic interventions. These measures have positively influenced the economy, which opened up to global trade and investment.

In this study, the second main finding is that, about 46% (n=100) of respondents believe that FDI is important for ensuring free trade liberalization and privatization in the South African economy. This factor has 79.4188 for the Pearson chi-square test and was consistent with the logit analysis equal to 4.17. which indicates that keeping up the current pace of trade liberalization and privatization increases the likelihood of securing foreign direct investment by a factor of 4.17. Hill (2007:5-10), globalization and international trade refer respectively to "the shift toward a more integrated and interdependent world economy and includes the globalization of markets and production and the export of goods or services by a firm to consumers in another country". As an example; Hsu (2012) found that, Singapore's liberalisation investment laws and policies have helped her evolve from a manufacturing base in consumer and electronic items in the 1960s and 1970s, to an economy that is a hub for sophisticated manufacturing and services and this has resulted to an increase of FDI observed in 2010 of US$ 38.6 billion, twice a decade earlier.

The third major finding of this study is that, 40%(n=86) of respondents believe that FDI is important for ensuring high expected rates of return on investment. Their argument is supported by the Pearson chi-square test of 74.9850 and the logit analysis equal to 3.83. This indicates that ensuring high expected rates of return for potential investors increases the likelihood of securing foreign direct investment by a factor of 3.83. this finding tell us that according to respondents, investors investments decision is currently influence by the believe that they investments will be associated with "High expected rates of return on investments made in South Africa". Ohlin (1952:39-43), said that FDI was motivated mainly by the possibility of high profitability in growing markets in the host country which is consistent with our finding. Asiedu (2002) found out factors such as return on capital and better infrastructure to have a positive effect on FDI in developing countries, while Wang and Swain (1995) in their study on Hungary and China find out that a larger market brings in higher returns on investment by allowing a more efficient utilization of resources and the exploitation of the economies of scale.

CONCLUSION

The aim of the study was to identify and quantify differential factors that affect the flow of Foreign Direct Investment (FDI) into South Africa from the rest of the world. The objectives of this study was to identify and quantify differential factors that affect the flow of Foreign Direct Investment (FDI) into South Africa from the rest of the world and also to assist the South African government officials to become more aware of key determinants predictors for FDI attraction. This was motivated by the fact that South Africa, as is currently the case in all countries in Africa, lag behind in terms of FDI attraction. Since it has been found numerous researcher that FDI is a complement of trade, it represents an important variable in the development process of any country, as justified by the experiences of the East Asian Tiger economies, the researcher found it important to undertake this study. This research revealed that investors investing in South Africa are chiefly motivated by 3 factors. These 3 factors were the provision of 1) economic incentives to potential investors, 2) the pace of trade liberalisation and privatisation, and 3) high expected rates of return on investments made in South Africa, in a decreasing order of strength. South Africa government and officials dealing with FDI should focus more on economic incentives strategies by the meantime adopt and adapt new and existing policies to encourages trade liberalisation and privatisation. In its pursue of alleviating the socio-economic problem by attracting a magnitude of FDI into its economy, the government of the Republic of South Africa or its officials who deal with investment promotion must consider those new findings in their identification of a useful mechanism for establishing an appropriate framework for attracting urge FDI into South Africa.

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