

**DETERMINANTS OF FDI IN CASHEW-NUT PROCESSING INDUSTRIES  
IN TANZANIA: EVIDENCE FROM NACHINGWEA DISTRICT**

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DEPARTMENT OF POLITICAL SCIENCE, PUBLIC ADMINISTRATION,  
HISTORY AND PHILOSOPHY (PSPAHP) OF THE OPEN UNIVERSITY OF  
TANZANIA  
AUGUST, 2023**

**CERTIFICATION**

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation entitled: Determinant of FDI in Cashew-nut Process Industries in Tanzania: Evidence from Nachingwea District, in partial fulfilment of the requirements for the award of degree of the Masters of Arts in International Cooperation and Development (MAICD) of the Open University of Tanzania.

.....  
Felician Mutasa  
(Supervisor)

.....  
Date

**DECLARATION AND COPYRIGHT**

I, **Joel Arthur Nanauka**, declare that this dissertation is my own original work and that it has not been presented for a similar or any other degree award to any other University or institution of higher learning.

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Date: .....

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## **DEDICATION**

This report is dedicated to my lovely children Joyous, Joyceline and Jonel who at all-time were morally supporting and become the reason of inspiration to the completion of the study.

## ACKNOWLEDGEMENT

The completion of this dissertation has been a result of contributions from many people. I would therefore like to register my deepest appreciations to them all for their positive support.

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## ABSTRACT

This study investigated the determinant of FDI in cashew-nut process industries in Tanzania. The study was conducted at Nachingwea district. The study employed mixed methods research design with both quantitative and qualitative approaches whereby quantitative data views subjected to a Five point Likert scale in establishing respondents' views from 90 respondents. The results of the study revealed southern Tanzania zone area is an ideal place of investing in cashewnut processing industry although the zone has supportive population and market size little is to be adjusted, there is relative investment in agricultural facilities, distribution of sources of energy is on average, privatized and more centralized in terms of pricing and government investment in general infrastructure has is promising. The study established the state of the factors that limit FDI in Cashew nut processing industry that include laws and regulation governing cashewnut production, trade openness and trust, transportation of raw cashewnut, power rationing at rural places, and quality of cashew nut. The study has also established the factors that influence FDI in cashewnut process industries, material and non-material environment support, land distribution and development, contribution of other traditional crops in the export basket, industrialization in source of energy. The study recommends, there should be focus on create both infrastructure and other system that command the transportation of raw material, encouraging, quality of crops is of an utmost important for the development of Cashew nut, preparation a good fund allocation plan in order to create good environment that support the development and growth of Cashew-nut investments.

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**LIST OF ABBREVIATION**

EPZA	-	Exports Processing Zones Authority
FAO	-	Food and Agricultural Organization
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Product
MAICD	-	Masters of Arts in International and
SAP	-	Structural Adjustment Programmes
SPSS	-	Statistical Packaging for Social Sciences
TIC	-	Tanzania Investment Commission
URT	-	United Republic of Tanzania
USA	-	United State of America
USD	-	United State Dollar
WIR	-	World Investment Report
WB	-	World Bank

## CHAPTER ONE

### BACKGROUND INFORMATION TO THE STUDY

#### 1.0 Introduction

This is an introductory chapter that offers general idea and target of the study. Therefore, it presents the study's background, the statement that highlights the study's problem status, the objectives of the study both main and specific objectives, the questions that guide the study and the significance of conducting the study.

#### 1.1 Background to the Study

Cashewnut is one of the major farm products to many small-scale farmers around the globe. The annual worldwide production stands at 2.1 million tons of raw nuts with value estimated at US\$ 1.5 TO US\$2 billion (FAO, 2021). The main areas that are known for producing Cashewnut are India, Vietnam, Brazil and Africa usually Cashewnut seeds consist of around 35-45% and 55-65% the shell later contains around 15-30% oil commonly known as Cashewnut Shell Liquid which is mostly used in industries (FAO, 2021). In many countries, there have been international efforts to realize more of value that can be generated by this industry through investments in the processing of the raw Cashewnut.

The Tanzanian industrial sector passed through various stages since 1961 when the country attained its independence from industrial phase in the mixed economy (1961-66), and 1967-85 when the country concentrated on the import-substitution industry whereby the government was the major player (1967-85) de-industrialization era which was influenced by the Structural Adjustment Programmes (SAPs) facilitated by International Monetary Fund and World Bank (Ngowi *et al.*, 2015). However the

current main agenda by the 5th government regime has re-surfaced the industrial development as one of the main policy agenda in the country (Wangwe *et al.*, 2014).

Cashewnut industry is among the three top traditional exports in Tanzania that receives attention from the time when the sector nearly suffered collapse in 1980s to the time when the country adopted reform policies which included liberalization and exchange rate adjustments in the quest of improving the industrial performance (Msuya, 2007). In addition the government decisions to remove ban for the transport of raw Cashewnut a situation that have influenced the capacity of the internal processing industries. Tanzania Cashewnut industrial sector level of production has always been high compared to the industrial raw materials absorption capacity; for example before privatization policies in Tanzania, there were 12 Cashewnut processing factories of which they have been sold to private investors including Korosho Africa (Tunduma, Newala and Mtwara) and Mohammed Enterprises (Dar es Salaam) (Rweyemamu, 2001).

Despite the fact the investment in the Cashewnut processing industries is at the country's top priorities in the implementation of the vision 2025 still About 90% of the Cashewnut produced in the country has been exported in raw forms and 10% of which is being processed internally (Kilama, 2010, TIIDP, 2011, Cashewnut Stakeholders Meeting, 2013). This situation caused loss of additional revenuesfacing a great challenge in the value addition processes with low interest from foreign investors and employment chances (Cashewnut Board of Tanzania, 2014). The investment in cashewnut processing industries is identified as one of the priorities in the implementation of the vision 2025.



To facilitate and speed the need to industrialize countries have been facilitating the processes of attracting foreign direct investment in their countries. Tanzania was registered as the third largest recipient of the Foreign Direct Investment (FDI's) in Africa behind Uganda and Kenya. Moreover, the FDI covers about the 6.5% of its annual GDP (WB report, 2016). To create more attractive environment for FDI's and in order to create linkages in the industrialization process, in 2013 Tanzania government launched various large scale infrastructure projects that included ports, energy production and Railway networks. The construction of the pipeline was completed in 2015 with finances from the China Exim bank amounts to Euro 850 million and the construction of the Bagamoyo Port is on progress which has attracted an investment of USD over ten billions which has been provided the China and Oman based companies (Cashew-nut Board of Tanzania, 2014). Moreover, the main driving activity has been identified as Mining and Manufacturing sectors (*TIC Report, 2014*). Despite this, the industrial sector has been found to be more stagnant around 16% growth level for the past decade.

The World Investment Report of 2015 has found that there was a rise of FDI to Tanzania by 14.5%. The report recorded the FDI inflows to Tanzania amounts to \$ 2,142 million compared to the 2013 figure of \$ 2,131. This amount is far above the level that the country attracted between (2005-2007) which was accounted as \$ 640 million. In explaining the sharp rise to the FDI, the report suggests that gas discoveries have been attracting more FDI's than manufacturing and processing industries (World Investment Report, 2015). With the expectations to improve the growth and performance of processing industries, government has been

administering various policies to realize the goal. From changing of policies to allow more private players to the creation of various attractive policies to incentivize investors, still the performance of Cashewnut processing industries have suffered great defeat. The continuation of the raw Cashewnut exportation has resulted into the transferring of jobs as well as losing the price values in the market. While the FDI has been able to contribute on the growth of other sectors of economy and relatives other manufacturing sectors, the Cashewnut industry has been not been so much in benefit with the potential to create more jobs and earn a significant amount of the foreign exchange.

Economic analysts have indicated that significant investment on Cashewnut processing industries could generate 30,000 more direct jobs and revenue increase of \$40 million yearly. Cashew-nuts are also important to the national economy, providing 18 percent of Tanzania's merchandise export earnings in 1999 (The East African, May 2011). Therefore, regarding the importance of the sector to the economy and the potential of Cashewnut processing industries to the job creation and economic gain, there is a need to find out the determinants of FDIs to this area so that proper measures will be taken to address the situation.

## **1.2 Statement of the Problem**

Understanding the determinants of FDI Cashewnut processing industries in Tanzania is very crucial thus, the target of this study was projected to explore. Despite of the recognition of Tanzania as the leading FDIs destination in East Africa, the Cashewnut processing sector have been continuously receiving little investment that

is necessary in its transformation (Msuya, 2007, Wangwe *et al.*, 2014, Ngowi *et al.*, 2015).

The united republic of Tanzania introduced Exports Processing Zones Authority (EPZA) in 2002 in order to facilitate favorable environment as an incentives to Foreign Investors on Cashewnut processing industry. As recorded by the EPZA Investment, Promotion and Facilitation department, there were about 72 operational industries that have been established in the county whereby none of them been of Cashewnut processing (The Guardian, 6 Nov 2013).

Though it is agreed that the policy reforms on processing and manufacturing industries have brought noticeable change to the sector growth and performance, it has been noticed that its contribution to the nation's GDP has been remaining stagnant for the past decade (Msuya, 2007). Also, while some of the processing sub-sectors took a significant growth, some of them have remained stagnant (Wangwe *et al.*, 2014). In addition the FDI's impact due to increase advancement in technology capacity of the agriculture value chain, aided just a little of changes (Ngowi *et al.*, 2015). To this juncture there has never been a specific study that focused on finding out the determinant for foreign investors to venture into Cashewnut processing industries in Tanzania; the issue of which this study sought to undertake.

### **1.3 Objectives of the Study**

#### **1.3.1 Main Objective**

The main objective of the study was to explore the determinant of FDI in Cashewnut processing industry in Tanzania.

### **1.3.2 Specific Objectives**

The focus of exploring the determinants of FDI was realized through the following objectives;

- i. To identify factors contributing to foreign investors' interest in Cashewnut processing industries,
- ii. To establish the factors limiting FDI in Cashewnut processing industry,
- iii. To ascertain the incentives to FDI in Cashewnut processing industry.

### **1.4 Research Questions**

The following study questions were used as a guide to the study;

- i. What have been the actual factors that determine foreign direct investment in Cashewnut processing industry?
- ii. What have been hindering the inflows of foreign direct investment in Cashewnut processing industry?
- iii. How does the Tanzania investment environment favour foreign direct investment?

### **1.5 Significance of the Study**

The study aligned with different efforts undertaken by developing countries to improve their economies by adopting new methods of working under specified timeframe for delivery of the step-change required and the in desired quality. The implementation of the study findings will assist Governments, tax administrators and

policy makers improve the tax collection hence improve the provision of social services.

### **1.5.1 To Policy Makers**

The findings of the study on the collection of tax revenue in Tanzania might act as supporting to policy makers particularly during the review of tax administration organs effectiveness on tax collection according to the data collection sources. In addition the study will help policy makers to have an insight on the possible measures to minimize or eradicate the challenge in tax administration in Tanzania. Thus, the study will provide an insight to policy makers on the choice of tax reforms program as well as guideline on implementation of such reforms to promote tax revenue collection.

### **1.5.2 To the Practitioners**

The study will help the tax administrators in less developed Countries to get an insight, knowledge and a vital understand of the factors to consider in order to achieve efficient tax administration and improve the government tax revenue for better performance of their Governments.

### **1.5.3 Literature or Future Researcher**

The findings and insights from this study will be used as a reading material to persons interested in tax revenue collection issues. To the future researchers the study might assist them to justify their points, support or compare their study findings during interpretation and implication of study findings. Thus, the study will also increase academic knowledge on various studies that will be conducted in the future.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **1.0 Introduction**

This chapter presents the literature review related to foreign direct investment flow. The chapter consists of three sections; section one presents the theoretical literature review, section two the empirical literature review and research gap.

#### **2.1 Definitions of Key Terms**

##### **2.1.1 Foreign Direct Investment**

Foreign Direct Investment refers to the desire of obtaining the long-term interest by a resident entity of one economy (referred as a direct investor) in an enterprise of another economy. The relationship referred here is the long-term between the two sides which will grant the direct investor a significant amount of influence the management of the agreed enterprise. Direct investment enterprises may be subsidiaries, associates or branches (IMF Balance of payment Manual and OECD).

##### **2.1.2 Cashew-nut Processing**

Cashewnut processing is defined as the recovery of the kernel, which implies edible meat portion from raw nuts. The processing of Cashewnut goes through various steps which include conditioning, roasting, shelling, drying, and peeling, grading and packing (Banerjee, 2015). In order to create great value in terms of employment and fetching high price from the Cashewnut industry, it is advised that the raw Cashewnut be processed before they are sold from the producing countries.

The processing of the Cashewnut can be through manual, simple mechanized machines or sophisticated machines run by high technology (Rweyemamu, 2001).

This research will base its findings on the sophisticated machines mode of processing that requires heavy investment which can be facilitated by the FDIs.

## **2.2 Theoretical Framework**

### **2.2.1 International Production Theory (Eclectic Paradigm)**

This theory was introduced by John Dunning in 1976, and it is seen as a strong since it underlies the explanation of the relationship between earlier theories of FDI and international production. Moreover, International Production theory provides a coherent framework and basic outline to help economists to understand the behavior of multinational enterprises that investing abroad (Dunning, 2001). The essence of this theory is based on the idea of integrating between three main hypotheses, which represent the main important factors that affect the firm's decision to extend their operations abroad (OLI); "Ownership, Location, and Internalization". The OLI model is a combination of earlier theories that attempted to explain the reasons behind FDI phenomenon such as the internalization theory, Industrial Organization Theory of Hymer, and location theory (Moosa, 2002).

According to an eclectic paradigm, there are three conditions that must be satisfied before a firm engages in FDI. First, a firm needs to have an ownership advantage factor, and thereby it gives it an advantage over other firms. These advantages are for example property rights of a particular technology, firm size, monopoly power, and access to raw material or cheap finance (Moosa, 2002). Second, the firm must exploit these advantages internally instead of contracting, selling or leasing them to other firms. Third, the benefits of setting up production abroad must be higher than the benefits of depending on exports (Wadhwa, 2011).

### **2.2.2 Capital Market Theory**

The capital market theory is a part of portfolio investment theory and is considered one of the oldest theories that explain the idea behind expansion of firms abroad. According to this approach, FDI is determined mainly by interest rate and the value of host country's currency. Aliber (1971) argued that firms are more likely to expand abroad when their currency value in the home country is strong. While, firms that hosted by countries with have a weak currency avoid investing abroad (Moosa, 2002, Faeth, 2009). Moreover, higher currency fluctuations in the host countries encourage foreign firms to borrow money at lower interest rate than domestic companies. According to Boddewyn (1985), the capital market theory explained the reasons behind firms' investment abroad, where he mentioned three situations which encourage firms to expand their activities overseas. Firstly, lower (undervalued) exchange rate in the host country, which allows lower production costs in the host countries. Second, the absence of organized securities markets in the less developed countries, the matter that encourages FDI rather than purchases of securities. Third, the lack of information about securities markets in these countries. That is why it favors FDI which allows control of host country assets (Hennart, 2015).

### **2.3 Empirical Literature Review**

Usiri (2014) conducted a study on the Effects of Foreign Direct Investment on Economic Growth the Case of Tanzania. The results from Econometric analysis indicate that FDI investment in manufacturing sector has no significant effect on economic growth of Tanzania while the results from the Econometric analysis indicate that FDI investment in Mining and Quarrying sector has a positive effect on



economic growth of Tanzania. This variable has a positive coefficient and is statistically significant at 5 per cent

Onakoya (2012) conducted a study on Foreign Direct Investments and Economic Growth in Nigeria: A Disaggregated Sector Analysis basing on the sectors in order to give better insight into the variations inherent therein. The finding shows that FDI has a significant impact on output of the economy but that the growth effects of FDI differ across sectors. The impact on manufacturing sector was insignificant while of the agricultural sector was positively less sensitive but significant. The study recommends sector-specific policies, enhanced trade openness, import substitution development strategy incentives to existing investors, and potential overseas investors so as to enhance the development of the country.

Abala (2014) investigated the main drivers of real Gross Domestic Product growth in Kenya as well as those that drive the foreign direct investment (FDI) in Kenya. The findings show that FDI in the mining sector was insignificant while significant in the manufacturing sector. The reasons behind was pointed out to be the nature of FDI attraction in Kenya to be market seeking in which case the manufacturing sector was in favor compared to other sectors like mining, tourism and service sectors.

The study by Kargbo (2017) investigated the determinants of FDI by evaluating how well local firms can be integrated in FDI projects to enhance productivity growth and determines whether these investments have contributed to increasing productivity growth of host African countries. The study used bilateral FDI data to examine the underlying motivations and determinants of FDI into African economies. The study revealed that market-seeking and efficiency-seeking FDI are more growth enhancing

than natural-resource seeking FDI. The study found that the size of host markets and presence of natural resources have important influence on FDI into resource-rich countries, with market size determining FDI into non-resource rich countries, while investments from non-OECD emerging markets economies are also explained by the presence of lower labour costs. It is also evident that there are significant differences in determinants of FDI into African countries, between investors from African economies and counterparts from the OECD and non-OECD emerging markets. The results showed significant differences between the drivers of FDI to South Africa and other African countries. Therefore, foreign direct investment (FDI) is a valuable source of external finance to complement domestic savings, enhance domestic investment and increase employment in developing countries. It can potentially promote long-term growth and development through knowledge and technology transfers from foreign firms to domestic agents in host countries.

The World Investment Report (2011) revealed emerging economies together attracted more than half of global FDI inflows. This study examines the determinants of FDI inflows in the BRICS (Brazil, Russia, India, China, and South Africa) economies using a fixed effects panel model. The model is developed to determine the factors that influence the FDI inflows in the BRICS economies during the last 26 years (1990 – 2016). The study finds that infrastructure, stable macroeconomic conditions, and trade openness are significant determinants for FDI in BRICS countries. In addition, the findings of the study revealed financial crisis did not have a significant impact on FDI inflows into the BRICS, which in agreement with UNCTAD and World Bank data that shows that FDI inflow to the BRICS increased

during the financial crisis. The study contributed to the existing literature by testing the accuracy of the fixed effect models and utilizing panel data on two new variables, namely, natural resources and good governance. Ranjan & Agrawal (2011) investigated the main causes of FDI inflows in Brazil, Russia, India, and China. They used a Random effect model to analyze data collected between 1985 and 2009. The findings of the study indicate that trade openness; market size, macroeconomic stability, labor cost, and growth prospects are the main determinants of FDI inflows in BRICS countries. Nevertheless, growth prospects and macroeconomic stability have a minimum impact on the nations' FDI flows. Labor availability and macroeconomic stability also have insignificant influence on the level of foreign investment. Khachoo & Khan (2012) also investigates the key determinants of FDI inflow in developing countries using panel data. The finding shows that the amount of total reserves, market size, labor cost, and infrastructure are directly linked to FDI flows. However, the trade openness variable is insignificant with the FDI inflow. Moreover, Jadhav & Katti (2012) investigate different factors that contribute to FDI inflows. They examine political and institutional elements that make some countries attractive to foreign investors. Evidence from BRICS countries shows that regulatory quality and government effectiveness are directly linked to the level of FDI inflows in most BRICS countries. However, other factors such as accountability, political stability, and control of corruption limit the flows of FDI in BRICS economies. The results imply that some factors that governments pay attention to in the implementation of strategies for boosting economic growth are not essential in attracting FDI inflows.

Furthermore, Tintin (2013) investigates the determinants of FDI inflows in six Central and Eastern European countries (CEEC). He incorporates institutional variables and traditional factors into the studies, which indicate whether the determinants of FDI inflow vary across European Union, China, Japan, and the United States of America. From the research, it is evident that trade openness, GDP size, national institutions, and EU membership have a significant influence on FDI in the four countries. Moreover, Policymakers in every country need to eliminate barriers to FDI inflows in order to sustain economic growth. It is also important to enhance economies' absorptive capacity with the aim of realizing maximum benefits of the effects of FDI.

Rogmans & Ebbers (2013) in the study on the determinants of FDI inflows in the Middle East and North Africa (MENA) region, trade openness improves countries' capability to maximize the benefits of FDI inflows. In their research, Rogmans and Ebbers examine panel data between 1987 and 2008, which shows that natural resources endowments diminish FDI inflows because most countries with mineral deposit often develop protectionist policies that prevent the entry of foreign investors.

## **2.4 Research Gap**

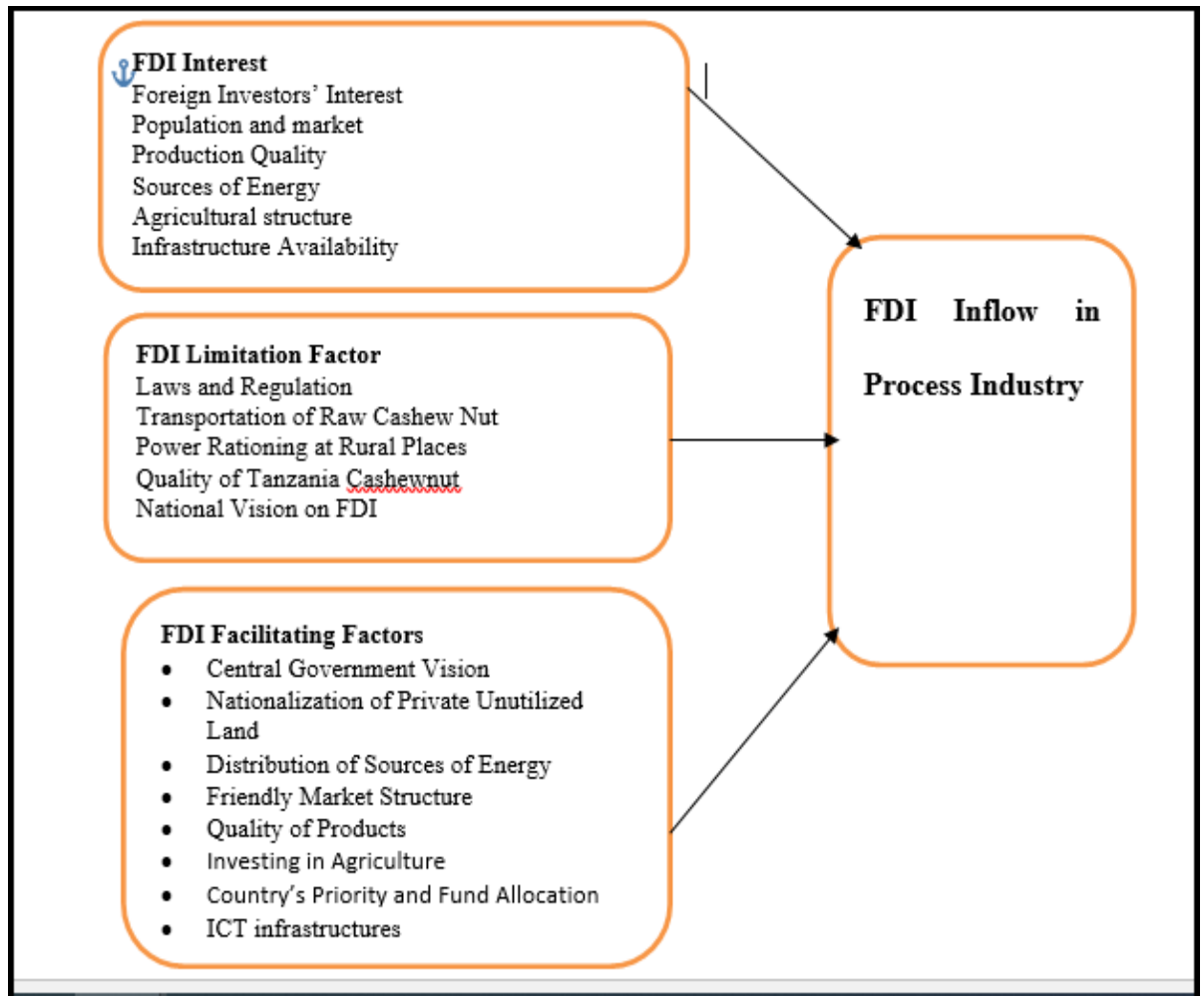
Though it is agreed that the policy reforms on processing and manufacturing industries have brought noticeable change to the sector growth and performance, it has been noticed that its contribution to the nation's GDP has been remaining stagnant for the past decade (Msuya, 2007). Also, while some of the processing sub-

sectors took a significant growth, some of them have remained stagnant (Wangwe *et al*, 2014).In addition the FDIs impact due to increase advancement in technology capacity of the agriculture value chain, aided just a little of changes (Ngowi *et al*,2015).

To this juncture there has never been a specific study that focused on finding out the determinant for foreign investors to venture into Cashewnut processing industries in Tanzania; the issue of which this study sought to undertake.

## **2.5 Conceptual Framework**

The development of cashewnut processing industries depends on the both internal and external players. Thus, with the presence of internal players the need of influencing outside players especially investors is of utmost importance. This study assume (conceptualize) that the determinants of foreign direct investments are largely demarcated at three categories that needs to be studied, namely; first the factors that contribute to foreign investors in cashewnut processing industry, understanding the challenges facing FDI in cashewnut processing industry and establishing the incentives to FDI in Cashewnut processing industry.



**Figure 2.1: Conceptual Framework**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The research methodology is the systematic and theoretical analysis of the procedure applied in the field. It involves procedure of describing, explaining and predicting phenomena so as to solve a problem (Kothari, 2004). This chapter presents the overview on a way this study was conducted, including description of the study area, the study design, data sources and collection techniques and, data analysis and presentation.

#### **3.2 Study Area**

The study was conducted in Nachingwea district which spans across southern Tanzania in Lindi region (Figure 3.1). The study area was purposively selected as the study site. With this regards therefore, the study looked on the data to represent rural geographical setting. Nachingwea is one of the five districts of Lindi region in southern Tanzania. The choice of the area is determined by the presence of majority of Cashewnut farmers and plantations and the. Therefore, based on those qualifications data from above mentioned place will be useful for this study.

#### **3.3 Survey Population**

Cresswell (2012) defined population as a comprehensive group of individuals, institutions, objects and so forth that have common characteristics that are the interest of a researcher. Population is the entire group that you want to draw conclusions about. The population of this study has comprised FDI management

staffs, cashewnut farmers, member from cashewnut board district government officials and FDI workers.

### **3.4 Study Design**

The study adopted exploratory research design in the conduction of this study. The design results in having equal weight of both qualitative and quantitative data and will help to carefully combine both to develop conclusions about the study (Creswell, 2013). Also research design is to guide a researcher control the process of data collection and data interpretation (Kothari, 2004). The methodology of the study data collection aimed at gathering information that are explorative in nature, the design guided the analysis of data considered the interpretation of quantitative and qualitative data which allowed the study to complement the gaps of information collection or gathered from respondents. .

### **3.5 Research Approach**

The study employed mixed research approach with both qualitative and quantitative approaches due to nature of the research problem because Qualitative research (descriptive) is conducted in an attempt to accurately describe or measure what actually exists in the environment with respect to a single variable, because the study is exploratory design in nature which seeks to find the determinants of FDI in Cashewnut processing industries sector despite of the policy and other government initiatives that have been deployed. A mixed approach with both quantitative and qualitative approaches have guided the collection of data and gained their understanding on the topic under study. The collection of data was done through questionnaire guide and interview with relevant officials and institutions based on



their expertise and experience in the investment and cashew-nut industry. The approach has also allowed the triangulation of data collection methods in order to assure validity and reliability of the study.

### 3.6 Population and Sample Size

The population of this study will included respondents selected from stakeholder of cashewnut farming such as farmers, agricultural experts, industrial personnel, businessmen and women in agriculture and managerial personnel from the board. Bailey (1994) reported that for studies in which statistical analysis is to be done, a sample of greater 30 (>30) is required regardless of population size. For this reason, a mean sample of 90 respondents from Nachingwea District was set. Table 3.1 presents the frame from which the sample was drawn from the population.

**Table 3.1: Sample Frame**

No	Respondents	Number of Respondents	Sampling Method
1	Normal Respondents	60	Randomly selected
2	Personnel with Managerial Position	30	Purposive Sampling
<b>Total</b>		<b>90</b>	

### 3.7 Sample and Sampling Procedures

In this study, purposive and random sampling techniques were employed. Random selection was applied in the selection of farmers and cashew stakeholders such as business personnel engaging in cashewnut business, agricultural experts. Simple random sampling procedure was used because it is not biased to any member of a population and it was simple to collect study information. In order to obtain the

sample the nth formula was applied, which allows the sample to be chosen after a certain number of selections. For qualitative information the study used non-probability sampling in this case purposive sampling procedure to gather experienced information from personnel holding managerial position in cashewnut related offices and boards.

### **3.8 Sources of Data**

This study involved both primary and secondary data collection from various sources to complement each other.

#### **3.8.1 Primary Data**

Primary data refers to information collected for the first time and thus happen to be original in character (Kothari, 2006). In this study, Primary data were collected in qualitative as well as quantitative forms. Qualitative data were obtained from key informants while quantitative data were obtained from non-managerial people. As for this study, questionnaires and interview method was used to collect primary data. The choice of using these tools depended on the type and availability of respondents, time available for the study and the expected effectiveness of the instruments.

#### **3.8.2 Secondary Data Collection**

Secondary data collection involved review of relevant literature from different sources including published and unpublished reports from within and outside the study area. The information obtained was used to complement other sources of data collection. The study used documents from the Cashewnut Board of Tanzania, Dar es Salaam Stock Exchange, Tanzania 2025 \vision.

### **3.9 Validity and Reliability the Study**

#### **3.9.1 Validity of Data**

According to (Kothari 2004) validity means the truthfulness of the data and findings in the research. In order to achieve validity and reliability, this study employed a triangulation of data collections. The study conducted a data collection tools pre-test to identify errors before actual data collection process. To ensure validity, triangulation methods of data collection tools were employed (interview and questionnaires). This helped to make sure that the collected information is valid by counterchecking the contradiction of information that might have been happened during data collection. The instruments were reviewed and corrected in order to check their relevant for collection of the required data that have enhanced the study achieve its purpose.

#### **3.9.2 Reliability of Data**

To ensure reliability in the current study, the pilot study was conducted with few respondents before the main survey to soften the language of instrument and remove ambiguity of data collection tools. This process helped to make data collection tools (both questionnaire and interview) to be clear, a process that improved the level of repeatability. Reliability means that if someone repeats the research or independent observer with the same methods; they will yet get the same results or data (Kothari 2004). To ensure reliability of the study, data were collected from different participants in order to obtain varieties of opinions. Also study's variables were developed from a content analysis whereby an intensive and synthesis of empirical

studies was conducted and themes were used to develop attributes in each of the specific objectives.

### **3.10 Data Processing and Analysis**

The descriptive statistics was mainly applied to provide an overview on demographic and socio-economic status of the study participants and their responses or rather opinions on the study objectives. Quantitative data were analyzed through Statistical Package for Social Sciences (SPSS). Before coding all questionnaires were cross checked for errors elimination. Data were coded and analyzed using SPSS and the results were presented in terms of table, frequencies and percentages.

For the qualitative data, data were grouped in respective sub-subjects based on the interview guides, and then analysis was executed by broader themes reflecting the study objectives (Tong, 2013). The qualitative data from interview in the form of notes were subjected to content analysis. The data from the study were organized and coded depending on the issue in question before analyzed, summarized and presented in subsequent section.

Practically, a preliminary review of previous literature was done to reduce and generate specific thematic categories and codes. The codes presented included definitions of key words that related to the study topic. Under these categories specific descriptive on sub- codes were assigned to data groups. The analysis used data collected from interviews in order to strengthen the validity and reliability of the study findings and interpretations.

### **3.11 Data Processing and Analysis**

Quantitative and qualitative method was employed in the process of data analysis. This is because the study used questionnaire as a technique for primary data collection (Kothari, 2001). In the process of analyzing data the study information collected from the field will be screen, cleaned, coded and then analyzed. Therefore, information descriptively analyzed through mean, frequency, percentages and standard deviations. The study used SPSS - Data were be analyzed with an aid of Statistical Package for Social Scientist (SPSS) whereby figures and tables were used as a mode of data presentation or illustration.

## **CHAPTER FOUR**

### **ANALYSIS AND PRESENTATION OF FINDINGS**

#### **4.0 Introduction**

The study ought to determine factors of FDI in cashew-nut processing industry in Tanzania. Questionnaire and interview guides were used in gathering information that helped to get insight about the study. The chapter is sectioned into two: whereby participants' features have been presented at first part and the second part of the report offers clarification on the study findings according to the study specific objectives. In this chapter, results were discussed so as to give answers to each of the questions. Under discussion the study used secondary data in making comparison with other empirical findings.

#### **4.1 Presentation of the Study Findings**

##### **4.1.1 Characteristics of Respondents**

The participants' socio-demography is presented under this section, whereby in the process of answering to questionnaire and interview of this study; including sex, education level, marital status and working experience. The reason for documenting demographic characteristics of respondents was to make sure the collaborators to the study have enough features in terms of experience, position, sex balance and skills or expertise.

###### **4.1.1.1 Sex**

The study sought to presents the respondents sex ratio percentagewise. The female and male ratio of the study respondents was assessed. Out of 90 respondents, 51 (67%) were Males and 39(33%) were Females (Table 4.1).

**Table 4.1: Distribution of Respondents by Sex**

Sex	Frequency	Percent
Female	51	58.6
Male	39	41.4
Total	90	100.0

**Data from Field (2021)**

Moreover, the number of the female respondents was larger than that of male respondents due to the fact that male occupied a large sum of employed personnel and management position in Tanzania. However, the study depicted the sample was representative because both genders were included to offer their views.

**4.1.1.2 Respondents' Age**

The study findings have indicated from a total of 90 participants 14 (14.3%) below 25 years, 22 (25.7%) respondents were 26 years to 35 years, 30 (37.1%) were 36 to 45 years, 17 (18.6%) 46 to 55 years and 7 (4.3 %) had more than 55 years. The analysis shows majority were aged 26-45 Years with an aggregate of 50 (62.8%), (Table 4.2).

**Table 4.2: Distribution of Respondents by Age**

Age Group	Frequency	Percent
25 Years	14	14.3
From 26 to 35	22	25.7
From 36 to 45	30	37.1
From 46 to 55	17	18.6
More than 55	7	4.3
Total	90	100.0

**Data from Field (2021)**

Data in Table 4.2 showed that many of the respondents were from 26 to 45 years old. Thus, respondents were qualified to be used as information source because of their working experience and age. The study description of age was included in order to assure that the respondents were mature enough to offer their views about.

#### 4.1.1.3 Respondents Level of Education

Education has been considered as a factor that influences reasoning. The study indicated out of 90 respondents who were requested to respond to this study, 8 (5.7%) respondents had attained Secondary School Education Level, whereas 26 (31.4%) had attained a Certificate Level of Education, 35 (44.3%) respondents had attained Diploma Education Level and 16 (17.1%) respondents had attained an Undergraduate Degree Education Level and 5 participants equals to 1.4% had attained *Phd* Education Level (Table 4.3).

**Table 4.3: Distribution of Respondents by Education Level**

	Frequency	Percent
Secondary School Education Level	8	5.7
Certificate Level of Education	26	31.4
Diploma Education Level	35	44.2
Undergraduate Education Level	16	17.1
<i>Phd</i> Education Level	5	1.4
Total	90	100.0

#### Data from Field (2021)

This indicated that the study had considered all levels of education and that the responses given out by the respondents differed due to the different levels of education they have. This signified that the findings of the study were representative



in terms of education. Also the finding suggests that participants were knowledgeable enough to provide the information for the study through questionnaire and in-depth-interview and offer logical answers about the study questions

#### 4.1.1.4 Work Experience

The study indicated, out of 90 respondents who were requested to respond to this study, 7 (5.7%) had a 1-3 years' experience, whereas 15 (17.1%) had a 4-6 Years experience, 30 (37.3%) respondents had a 7-9 years experience and 26 (31.4%) had a 10-12 Years of experience and 8 (7.1%) had a 13-15 years of experience while 4 (1.4%) of had above 15 Years of experience. In combination many respondents 55 (68.7%) had a long working experience between 7 years and 12 years.

**Table 4.4: Distribution of Respondents by Working Experience**

Working Experience	Frequency	Percent
1 to 3	7	5.7
4 to 6	15	17.1
7 to 9	30	37.3
10 to 12	26	31.4
13 to 15	8	7.1
15 and above	4	1.4
Total	90	100.0

#### Data from Field (2021)

Table 4.4 showed that many of the respondents who were contacted had long working experience 7 to 12 years. This means the long working experience basis

served as the basis of providing reliable information for the study due to their working experience.

## **4.2 Presentation of Study Findings Based on Specific Objectives of the Study**

### **4.2.1 Factors Contributing to Foreign Investors' Interest in Cashewnut Processing Industries**

The first objective of this study aimed at assessing the factors contributing to foreign investors' interest in Cashewnut processing industries. The respondents were required to offer their views under a 5-Likert scale on the variables considered to be the tools for answering the study's objective.

#### **4.2.1.1 Quality of Manpower**

The quality of a population in terms of skills and expertise is a vital contributor towards attracting investors. The study sought to understand whether the quality of a country's population skills and expertise has influenced the production output and market size, a situation that has contributed towards foreign investors desire to invest outside their country's border. The study showed, From a total of 60 participants who were asked, 23 (38.3%) respondents' agreed and 18 (30.0%) respondents strongly agreed that the quality of a country's population skills and expertise has influenced the production output and market size, a situation that has contributed towards foreign investors desire to invest outside their country's border 12 (20.0%) respondents disagreed, 6 (20.3%) respondents' strongly disagreed that the quality of a country's population skills and expertise has influenced the production output and market size, a situation that has contributed towards foreign investors desire to invest outside their country's border . while 0 (0%) respondents to 6% were neutral that the quality of a country's population skills and expertise has influenced the production

output and market size, a situation that has contributed towards foreign investors desire to invest outside their country's border (Table 4.5).

**Table 4.5: Views on Quality of Manpower**

	F	P	V P	CP
SD	6	10.0	10.2	10.2
D	12	20.0	20.3	30.5
Valid A	23	38.3	39.0	69.5
SA	18	30.0	30.5	100.0
Total	60	98.3	100.0	

**Data from Field (2021)**

Table 4.5 shows 68.3% of respondents agreed that the country population size has influenced the production output and market size situation that has contributed towards foreign investors desire to invest outside their country's border. This implied that access to cheap labour and the assurance of the production forces contribute to investors' interest to invest. Thus, the reason for low FDI in the country should be solved by skills development for its population a situation that will attract more investors. The findings of this study are similar with Rohl (2012) study who maintained that the industrial sector was the destination for the first investors in order to take advantage of the lower workforce costs in China, but the exponential growth of double digits in the Chinese economy only appeared after 1990's. Foreign investors envisioned a business opportunity and relocated their initial investments made on the production sector into the large Chinese consumer market in which have provided a varied range of products and services to satisfy this consumption need.

#### 4.2.1.2 The Value of Produced Cashew-nut

The value of the cashew-nut produced is important in competition in the market. The study aimed at identifying if farmers use facilities that facilitate production of quality cashew-nut that cannot win international market. The study aim was to reveal whether; farmers use facilities that facilitate production of quality cashew-nut that cannot win international market. 21 (35%) respondents agreed and 9 (15%) respondents strongly agreed that farmers use facilities that facilitate production of quality cashew-nut that cannot win international market. 14 (23.3%) respondents strongly disagreed, 10 (16.7%) respondents disagreed that farmers use facilities that facilitate production of quality cashew-nut that cannot win international market while 5 (8.5%) respondents were neutral that farmers use facilities that facilitate production of quality cashew-nut that cannot win international market (Table 4.6).

**Table 4.6: Views on Value of Produced Cashew-nut**

	F	P	V P	CP
SD	14	23.3	23.7	23.7
D	10	16.7	16.9	40.7
Valid A	5	8.3	8.5	49.2
Valid SA	21	35.0	35.6	84.7
Total	9	15.0	15.3	100.0
SD	60	98.3	100.0	

#### Data from Field (2021)

Table 4.6 shows that 50% of the respondents agreed farmers use facilities that facilitate production of quality cashew-nut that cannot win international markets. The fifty percentage distribution of farmers who uses the facilities and those who do not

use facilities limits assurance of the production quality. The study by Ngowi et al 2015 insisted that FDI inflow is impacted/due to increase advancement in technology capacity of the agriculture value chain, aided just a little of changes (Ngowi *et al.*,2015). Thus, the level of FDI inflows in Tanzania is low because of the low investment in agricultural facilities which causes low value to produced cashew-nuts.

#### 4.2.1.3 Sufficient of Sources of Energy

Sources of energy such as hydropower, solar, gas and coal is at the heart of any form of industrialization including processing industry. The study target was to establish whether. From a total of 60 participants, 20 participants equals to 33.3% agreed and 17 participants equals to 28.3% strongly agreed that the available and distributed sources of energy influences investors interest in cashew-nut, 15 participants equals to 25% disagreed and 7 participants equals to 11.7% strongly disagreed, the available and distributed sources of energy influences investors interest in cashew-nut. While 0 participants equals to 0% were neutral that the available and distributed sources of energy influences investors' interest in cashew-nut (Table 4.7).

**Table 4.7: Respondents Views on Source of Energy**

	F	P	V P	CP
SD	7	11.7	11.9	11.9
D	15	25.0	25.4	37.3
Valid A	20	33.3	33.9	71.2
SA	17	28.3	28.8	100.0
Total	59	98.3	100.0	

**Data from Field (2021)**

Table 4.7 above shows that 51.6% of the respondents agreed that the available and distributed sources of energy influences investors' interest in cashew-nut. The study by CBT, (2015) it is necessary to create more attractive environment for FDI's and in order to create linkages in the industrialization process, thus in 2013 Tanzania government launched various large scale infrastructure projects that included ports, energy production and Railway networks. This implied that the available and distributed sources of energy is on average and not sufficient enough to attract interest of large investors in the cashew-nut processing industry

#### **4.2.1.4 Entry into the Market**

Tanzania as a country is not a complete socialist nation as it allows private companies, investors and individual local or foreign to own and control industries. This study focus on understanding whether this practice has influenced or rather attracted investors interest due to entry condition into the market by private companies, investors and local or foreign individuals to control cashew-nut industry and market. From a total of 60 participants, 68 participants' equals to 26.7% agreed and 15 participants equals to 25% strongly agreed that entry condition into the market by private companies, investors and local or foreign individuals to control cashew-nut industry and market. 16 participants equals to 26.7% disagreed, 6 respondents' equivalent to 10% strong disagreed that entry condition into the market by private companies, investors and local or foreign individuals to control cashew-nut industry and market. While 7 equals to 11.7% were neutral that entry condition into the market by private companies, investors and local or foreign individuals to control cashew-nut industry and market (Table: 4.8).

**Table 4.8: Views on Entry into the Market**

	F	P	V P	CP
SD	6	10.0	10.0	10.0
D	16	26.7	26.7	36.7
Valid A	7	11.7	11.7	48.3
Valid SA	16	26.7	26.7	75.0
Total	15	25.0	25.0	100.0
SD	60	100.0	100.0	

**Data from Field (2021)**

Table 4.8 shows that 51.7% of the respondents agreed that the participation of individual and private company in the economy and industrialization has attracted foreign direct investors. An average level on views between respondent might be due to intensive government interference into the cashew-nut industry which is not health for investors' interest into the market. The findings of this study are supported by the Rogmans & Ebbers (2013) who revealed the determinants of FDI inflows in the Middle East and North Africa (MENA) region, trade openness improves countries' capability to maximize the benefits of FDI inflows. In their research, Rogmans & Ebbers examine panel data between 1987 and 2008, which shows that natural resources endowments diminish FDI inflows because most countries with mineral deposit often develop protectionist policies that prevent the entry of foreign investors. This implied that the cashew nut industry is less privatized and more centralized to the government.

#### 4.2.1.5 Infrastructure Project

Tanzania launched countrywide large scale infrastructure projects including ports, energy production and Railway networks. The study intended to reveal if government investment in general infrastructure has spearheaded the influx of foreign direct investment in Tanzania. From a total of 60 participants, 28 respondents' equivalent to 46.7% agreed and 7 participants equals to 11.7% strongly agreed government investment in general infrastructure has spearheaded the influx of foreign direct investment in Tanzania. 11 participants equals to 18.3% disagreed, 7 respondents' equivalent to 11.7% strongly disagreed that government investment in general infrastructure has spearheaded the influx of foreign direct investment in Tanzania. While 6 participants' equals to 10% were neutral government investment in general infrastructure has spearheaded the influx of foreign direct investment in Tanzania (Table 4.9).

**Table 4.9: Views on Infrastructure Project**

	F	P	V P	CP
SD	7	11.7	11.9	11.9
D	11	18.3	18.6	30.5
Valid A	6	10.0	10.2	40.7
Valid SA	28	46.7	47.5	88.1
Total	7	11.7	11.9	100.0
SD	59	98.3	100.0	

#### Data from Field (2021)

Table 4.9 shows 58.4% of the respondents agreed that government investment in general infrastructure has spearheaded the influx of foreign direct investment in



Tanzania. This is contingent on previous studies which show that (Kaur, Khatua and Yadav, 2016) infrastructure is considered a public good and therefore infrastructure growth reduces operational costs and maximizes productivity especially for private firms by reducing transportation costs and increasing accessibility within an economy. As public goods, infrastructure further reduces the cost of doing business particularly among foreign firms, resulting in higher earnings and conversely increased level of investment. This implied that the infrastructure operation of the country boosted the willingness of foreign direct investors in the processing industries.

#### **4.2.2 The Factors Limiting FDI in Cashew nut Processing Industry**

The second objective of the study sought to establish the factors limiting FDI in Cashewnut processing industry. It was carried out through the use of questionnaire to the respondents. The respondents were required to rate their perception and awareness on the following issues.

##### **4.2.2.1 Cashewnut Marketing Structure**

Cashew nut agriculture is one of the most controlled crop productions in the country at both local and central government level. This study's focus is to understand whether the laws and regulation governing Cashew nut production in the country has limited foreign direct investors in Cashew nut production. From a total of 60 participants, 17 participants' equals to 28.3% agreed and 16 participants' equals to 26.7% strongly agreed that the laws and regulation governing Cashew nut production in the country has limited foreign direct investors in Cashew nut production. 11 participants' equals to 18.3% strongly disagreed and 10 participants' equals to 16.7%

strongly disagreed that the laws and regulation governing Cashew nut production in the country has limited foreign direct investors in Cashew nut production. While 6 participants equals to 10% were neutral that the laws and regulation governing Cashew nut production in the country has limited foreign direct investors in Cashew nut production (See Table 4.10).

**Table 4.10: Respondents Views on Cashew Nut Marketing Structure**

	F	P	V P	CP
SD	11	18.3	18.3	18.3
D	10	16.7	16.7	35.0
Valid A	6	10.0	10.0	45.0
Valid SA	17	28.3	28.3	73.3
Total	16	26.7	26.7	100.0
SD	60	100.0	100.0	

**Data from Field (2021)**

Table 4.10 shows that 55% of the respondents agreed that the laws and regulation governing Cashew nut production in the country has limited foreign direct investors in Cashew nut production. The significant positive links between FDI inflows and trade openness have been previously investigated. For example, liberal policies have been known to promote not only exports, but also imports (Schutter et al., 2013). This implied that trade openness leads to the country to be one of the leading import and export countries in the world. Countries need to maintain high trade openness to allow their trade partners to build trust in them which will lead to an increase in FDI inflows.

#### 4.2.2.2 Raw Cashewnut

The study intended to identify whether there is transportation of raw cashew nut has an impact in the development of processing industry because it determines the availability of raw material and capacity of the country's Cashew nut processing. From a total of 60 participants, 20 equals to 39.7% disagreed and 12 equals to 20.0% strongly disagreed that transportation of raw cashew nut has an impact in the development of processing industry because it determines the availability of raw material and capacity of the country's Cashew nut processing. 16 participants equals to 26.7% agreed, 8 respondents' equivalent to 13.3% strongly disagreed transportation of raw cashew nut has an impact in the development of processing industry because it determines the availability of raw material and capacity of the country's Cashew nut processing. While 4 equals to 11.3% were neutral that transportation of raw cashew nut has an impact in the development of processing industry because it determines the availability of raw material and capacity of the country's Cashew nut processing (See Table 4.11).

**Table 4.11: Respondents Opinion on Transport of Raw Cashew Nut**

	F	P	V P	CP
SD	12	20.0	20.0	20.0
D	20	39.7	26.7	46.7
Valid A	4	11.3	10.3	60.0
Valid SA	16	26.7	26.7	86.7
Total	8	13.3	13.3	100.0
SD	60	100.0	100.0	

**Data from Field (2021)**

Table 4.11 shows 59.7% of respondents disagreed that transportation of raw cashew nut has an impact in the development of processing industry because it determines the availability of raw material and capacity of the country's Cashew nut processing. This implied that the government capacity to regulate the transportation of raw cashew is weak towards regulation of products transportation. The findings of this study are similar with the studies that showed 90% of the Cashewnut produced in the country has been exported in raw forms and 10% of which is being processed internally (Kilama, 2010, TIIDP, 2011, Cashewnut Stakeholders Meeting, 2013). This is not favorable for the processing industries as it reduces the volume of harvest to be sent to the industrial places.

#### **4.2.2.3 Power Rationing**

Industries demand reliable sources of energy for its operation. The study intended to know whether power rationing at rural places where most farms are located in the southern zone has been reliable to accommodate processing industries. From a total of 60 participants, 20 participants equals to 34% strongly agreed and 18 participants equals to 30% agreed that power rationing at rural places where most farms are located in the southern zone has been reliable to accommodate processing industries; while 16 participants equals to 23% disagreed and 6 participants equals to 13% strongly disagreed that power rationing at rural places where most farms are located in the southern zone has been reliable to accommodate processing industries. 1 (1.7%) respondent was neutral that power rationing at rural places where most farms are located in the southern zone has been reliable to accommodate processing industries (Table 4.12).

**Table 4.12: Views on Power Rationing**

	F	P	V P	CP
SD	6	10.0	10.2	10.2
D	16	26.7	27.1	37.3
Valid A	1	1.7	1.7	39.0
Valid SA	20	33.3	33.9	72.9
Total	16	26.7	27.1	100.0
SD	60	98.3	100.0	

**Data from Field (2021)**

Table 4.12 shows that 60% of the respondents disagreed power rationing at rural places where most farms are located in the southern zone has been reliable to accommodate processing industries. In explaining the sharp rise to the FDI, the WIR report suggested that gas discoveries have been attracting more FDIs than manufacturing and processing industries (World Investment Report, 2015). This means the expectations to improve the growth and performance of processing industries, government has been administering various policies to realize the goal. This means, most parties of southern zone are not supplied with enough or reliable sources of energy to run processing industries a situation that limit the industrialization of the zone.

**4.2.2.4 Quality of Products**

The market of a product is determined by the quality of the products. With absence of well-structured and finance research institute the Cashew nut quality is impossible. The study sought to assess whether the quality of Tanzania Cashewnut is contributing factors to the development of foreign direct investment in processing industry. From a total of 60 participants, 26 equals to 43% agreed and 11 participants

equals to 18% strongly agreed that the quality of Tanzania Cashewnut is contributing factors to the development of foreign direct investment in processing industry. 13 participants equals to 22% disagreed, 4 respondents' equivalent to 7% strongly disagreed that the quality of Tanzania Cashewnut is contributing factors to the development of foreign direct investment in processing industry. While 6 participants' equals to 10% were neutral the quality of Tanzania Cashew-nut is contributing factors to the development of foreign direct investment in processing industry (see Table 4.13).

**Table 4.13: The Quality of Product**

	F	P	V P	CP
SD	7	11.7	11.9	11.9
D	11	18.3	18.6	30.5
N	6	10.0	10.2	40.7
A	28	46.7	47.5	88.1
SA	7	11.7	11.9	100.0
Total	59	98.3	100.0	

**Data from Field (2021)**

Table 4.13 shows that 61% of the respondents agreed that the quality of Tanzania Cashewnut is contributing factors to the development of foreign direct investment in processing industry. This implied the Tanzanian Cashewnut is of high quality and attracts foreign direct investors in Tanzania. Hence, investment in processing industry is possible with availability of high quality products.

#### 4.2.2.5 Vision and Priorities

Investment in Cashew-nut processing industries are in the national 2025 visions. The study sought to know if the national 2025 vision has contributed in the speed of foreign direct investment in the country. From a total of 60 participants, 20 participant's equals to 33.3% agreed and 16 participants' equals to 26.7% strongly agreed that the national 2025 vision has contributed in the speed of foreign direct investment in the country. 15 participants equals to 25.0% disagreed, 6 respondents' equivalent to 10% strongly disagreed that the national 2025 vision has contributed in the speed of foreign direct investment in the country. 3 participants' equals to 5% were neutral that, the national 2025 vision has contributed in the speed of foreign direct investment in the country (See Table 4.14).

**Table 4.14: Opinion on Vision and Priorities**

	F	P	V P	CP
SD	6	10.0	10.0	10.0
D	15	25.0	25.0	35.0
Valid A	3	5.0	5.0	40.0
Valid SA	20	33.3	33.3	73.3
Total	16	26.7	26.7	100.0
SD	60	100.0	100.0	

#### Data from Field (2021)

From Table 4.14, 60% of the responses agree national 2025 vision has contributed in the speed of foreign direct investment in the country. The report by IIDS (2011) maintained that nations should recognize the need to process agricultural products by discouraging the export of raw agricultural products. In 2008 the value addition the

agro-processing sub-sector registered 55.6% of the total for the whole manufacturing sector. This means that the country is still facing challenges in attracting foreign direct investment because the time to 2015 is rushing with little hope on the ground.

### **4.2.3 Incentives to FDI in Cashewnut Processing Industry**

Third objective established the countries incentives to FDI in Cashewnut process industries. It was carried out through the use of in-depth-interview to the respondents. The respondents were required to rate their perception on the following issues related with FDI incentives.

#### **4.2.3.1 Central Government Vision**

This was the first question directed to the interviewee with a purpose of understanding their opinion on the role of the government in relation to the causes of FDI in Tanzania. The study respondents were positive in the manner in which the government has been approaching this matter, opinion from respondent D.

*“The central government and the ministry is clear on the necessity of industrializing, the vision and mission of the ministry concerning cashewnut farming and product in the realization of the country’s dream”*.- Opinion from Respondent, D

In order to realize this in line with guiding document of Tanzania vision 2025, the policy has put much emphasize on the need to focus on investment in agro-processing industries in the country (Tanzania Trade Policy, 2003). Bearing in mind that Agriculture employee relatively high number of people than any other sector, agro-processing sector is one of the policy priority. This means the nation should be very adamant when it comes to welcoming foreign investors as the action of building



both material and non-material environment that creates a platform for investors to chip in Tanzania industrial sectors.

#### **4.2.3.2 Nationalization of Private Unutilized Land**

Land is at the centre of any agricultural product development and improvement. It is the role of any nation to make sure there is not only proper distribution of land but it owned and used as to the specification or intention for distribution. Among other measures the nation should be very adamant in monitoring land distribution. From the field respondent B insisted that;

“The future is promising; we expect tones of Cashew nut with available land. The previous grabbed land is taken by the government. Thus, when the unutilized grabbed land will be redistributed to other farmers then we expect raise in harvest hence the industries will have enough raw-material”. - *Opinion from Respondent B*

The National Cashew Association of Nigeria urged the government over the past two years to set aside US\$ 53 million cashew intervention fund which should be utilized to expand local cashewnut processing ;(*Run down by cash situation: Market Insider, 2015*). Cashewnut industry is among the great contributors to the exports in Tanzania, while there has been a declining contribution of other traditional crops in the export basket, the contribution of the Cashewnut exports to Tanzania economy has been growing.

#### **4.2.3.3 Sources of Energy**

Industrialization without energy source is impossible. The nation agricultural plan should among others consider the source of energy's network to the area or region with agricultural plantations. The respondents have stressed the challenges of electricity supply and availability in the region and the scarcity of electricity near plantation areas. As it has been maintained by respondent C that;

“Processing industry must be close and even within plantation. Most of countries parts engaging with cashewnut product are not or have little electric supply. This is hinders the operation of industries and discourage investment”.- *Opinion from respondent, C*

To create more attractive environment for FDI’s and in order to create linkages in the industrialization process, in 2013 Tanzania government launched various large scale infrastructure projects that included ports, energy production and Railway networks. The construction of the pipeline was completed in 2015 with finances from the China Exim bank amounts to Euro 850 million and the construction of the Bagamoyo Port is on progress which has attracted an investment of USD 11 Billion jointly funded China Merchants Holdings International and Oman Investment Fund(Cashew-nut Board of Tanzania, 2014).

#### **4.2.3.4 Market Structure**

The investment policy must be adherent or rather amended to commit the government to direct invest in Cashewnut production as the government involvement in the agricultural processing industries is rater discouraging. Opinion from respondent ‘A’ revealed that;

*“Cashew-nut production in Tanzania is not as free as other products like maize. Cashew-nut production has a lot of interference from both central and local authority with taxes, regulations and long unreasonable marketing structures (Soko Gharani). The product is not much liberalized as it is still under almost total control”.-Opinion from respondent A*

Tanzanian Cashewnut industrial sector level of production has always been high compared to the industrial raw materials absorption capacity; for example before privatization policies in Tanzania, there were 12 Cashewnut processing factories of which they have been sold to private investors including Korosho Africa (Tunduma, Newala and Mtwara) and Mohammed Enterprises (Dar es Salaam) (Rweyemamu,

2001). This means that the country should focus on creating both infrastructure and other systems that command the transportation of raw material while encouraging the transportation of processed materials in order to attract more foreign investors. This situation caused a loss of additional revenues, facing a great challenge in the value addition processes with low interest from foreign investors and employment chances (Cashewnut Board of Tanzania, 2014). Therefore, the manners and forms of transporting Cashewnut products in the country should be revised.

### *Quality of Products*

*Quality of crop is of an utmost importance for the development of Cashewnut product and incentives to foreign investors. Opinion from respondent 'D' revealed that;*

“Tanzania education system is poor when it comes to agricultural research compared to other countries' education system. The system studies agriculture in generalization. The situation is even worse for specific cash crops such as Cashewnut”- *Opinion from Respondent 'D'*

The findings of this study are congruent with the study by FAO (2021) which revealed that the annual worldwide production stands at 2.1 million tons of raw nuts with a value estimated at US\$ 1.5 TO US\$2 billion (FAO, 2021). In relation to research, the main regions that are known for producing Cashewnut are India, Vietnam, Brazil and Africa. Usually, Cashewnut seeds consist of around 35-45% and 55-65% the shell, later containing around 15-30% oil, commonly known as Cashewnut Shell Liquid (CSNL), which is mostly used in industries (FAO, 2021). In many countries, there have been international efforts to realize more value that can be generated by this industry through investments in the processing of the raw Cashewnut. This means the quality of Cashew-nut itself is an incentive towards foreign investors in the agricultural system of the country. Thus, the country, through its authorized boards, should focus on

making sure that the quality of the products is high or rather it meets the required standard.

#### **4.2.3.5 Investing in Agriculture**

The study from interview noted that for foreign direct investors to decide in investing in any country it depends on the preparatory issues that have been done by a country. Respondents revealed the government initiatives towards attractive investors both direct and indirect have an upper hand in attractive investors. Opinion from respondent E has well connection this notion as the respondent explained;

*“A lot has been done to facilitate the process, most notably is the government’s commitment in the development of infrastructure which is good link to all matters in connection to investment. You need to move the products after production”- Opinion from respondent ‘E’*

This implies that without investing in agriculture it is difficult for foreign investors to decide in investing. The results of this study supports the idea that have reported that some of the processing sub-sectors took a significant growth, some of them have remained stagnant (Wangwe *et al*, 2014). Therefore, agriculture investment in the country forms a foundation which acts as an incentive towards foreign direct investment in the country.

#### **4.2.3.6 Country’s Priority and Fund Allocation**

Country’s priority and fund allocation are two things that go together in order to have impacts on development issues. The study sought to understand incentives issues that should be done in to attract investors where interviewee mentioned the issues relating with country’s priority and fund allocation. Opinion from respondent ‘A’ stressed that;

*“The country receives a lot of money in forms of grants, loans and even national internal sources. Thus fund is not a big problem in Tanzania. The government does not see or rather prioritize the need to fast change the industry”-Opinion from Respondent ‘A’*

The finding of this study implies that money is not a problem but the challenging issue is countries priority on agriculture and financial allocation. The findings of this study are similar with the study by (when the country concentrated on the import-substitution industry whereby the government was the major player (1967-85) de-industrialization era which was influenced by the Structural Adjustment Programmes (SAPs) facilitated by International Monetary Fund and World Bank (Ngowi *et al.*, 2015). However the government main agenda has re-surfaced the industrial development as one of the main policy agenda in the country (Wangwe *et al.*, 2014). The study therefore revealed that as long as fund is not a major problem there is a need of the country to prepare a good fund allocation plan when it comes to agriculture in order to create a good environment that support the development and growth of Cashew-nut investments.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This has presented the as follows;

#### **5.2 Summary**

This study investigated the determinants of FDI in Cashewnut processing industries. The following are the objectives of the study: to identify factors contributing to foreign investors' interest in Cashewnut processing industries, to establish the factors limiting FDI in Cashewnut processing industry and to ascertain the incentives to FDI in Cashewnut processing industry. This study employed a case study design whereby a sample of 90 respondents was engaged in the study. Questionnaire guide and interview guide were used in the collection of information for the study.

The first objective of this study assessed the factors that have contributed to foreign investors' interest in Cashewnut processing industries. From the findings it has been revealed that that the country population size has influenced the production output and market size situation that has contributed towards foreign investors desire to invest outside their country's border which means access to cheap labour and the assurance of the production forces contribute to investors' interest to invest. Farmers use facilities that facilitate production of quality cashew-nut that cannot win international markets. The fifty percentage distribution of farmers who uses the facilities and those who do not use facilities limits assurance of the production quality; thus, the level of FDI inflows in Tanzania is low because of the low investment in agricultural facilities which causes low value to produced cashew-nuts.

Availability and distribution of sources of energy influences investors' interest in cashew-nut which imply that the available and distributed sources of energy is on average and not sufficient enough to attract interest of large investors in the cashew-nut processing industry which imply that individual and private company in the economy and industrialization has attracted foreign direct investors; This means the cashew nut industry is less privatized and more centralized to the government and lastly government investment in general infrastructure has spearheaded the influx of foreign direct investment in Tanzania; this imply that the infrastructure operation of the country boosted the willingness of foreign direct investors in the processing industries.

The second objective of the study sought to establish the factors limiting FDI in Cashewnut processing industry. The study findings revealed the following; the laws and regulation governing Cashew nut production in the country has limited foreign direct investors in Cashew nut production. Countries need to maintain high trade openness to allow their trade partners to build trust in them which will lead to an increase in FDI inflows. Transportation of raw cashew nut has an impact in the development of processing industry because it determines the availability of raw material and capacity of the country's Cashew nut processing which is not favorable for the processing industries as it reduces the volume of harvest to be sent to the industrial places. Power rationing at rural places where most farms are located in the southern zone is not reliable to accommodate processing industries which means, most parties of southern zone are not supplied with enough or reliable sources of energy to run processing industries a situation that limit the industrialization of the

zone. The quality of Tanzania Cashewnut is contributing factors to the development of foreign direct investment in processing industry; This imply the Tanzanian Cashewnut is of high quality and attracts foreign direct investors in Tanzania. Hence, investment in processing industry is possible with availability of high quality products and the national 2025 vision has contributed in the speed of foreign direct investment which means that the country is still facing challenges in attracting foreign direct investment because the time to 2015 is rushing with little hope on the ground.

The third objective of the study aimed at establishing the countries incentives to FDI in Cashewnut process industries. It was carried out through the use of in-depth-interview to the respondents. The study findings revealed that the nation should be very adamant when it comes to welcoming foreign investors as the action of building both material and non-material environment that creates a platform for investors to chip in in Tanzania industrial sectors. Land is at the centre of any agricultural product development and improvement because Cashewnut industry is among the great contributors to the exports in Tanzania, while there has been a declining contribution of other traditional crops in the export basket, the contribution of the Cashewnut exports to Tanzania economy has been growing. The study revealed that industrialization without energy source is impossible. The nation agricultural plan should among others consider the source of energy's network to the area or region with agricultural plantations. The country should focus on create both infrastructure and other system that command the transportation of raw material while encouraging the transportation of processed materials in order to attract more foreign investors.



Quality of crop is of an utmost important for the development of Cashewnut product and incentives to foreign investors; therefore as long as fund is not a major problem there is a need of the country to prepare a good fund allocation plan when it comes to agriculture in order to create a good environment that support the development and growth of Cashew-nut investments. Governments initiatives have attracted investors both direct and indirect have an upper hand in attractive investors; therefore agriculture investment in the country forms a foundation which acts as an incentive towards foreign direct investment in the country. Money is not a problem but the challenging issue is countries priority on agriculture and financial allocation; therefore as long as fund is not a major problem there is a need of the country to prepare a good fund allocation plan when it comes to agriculture in order to create a good environment that support the development and growth of Cashew-nut investments.

### **5.3 Conclusion**

The inflow of FDI in cashewnut process in Southern Zone of Tanzania is very promising. The zone has supportive population and market size little is to be adjusted, there is relative investment in agricultural facilities, distribution of sources of energy is on average, privatized and more centralized in terms of pricing and government investment in general infrastructure has is promising. The study established the state of the factors that limit FDI in Cashew nut processing industry and to include laws and regulation governing cashewnut production, trade openness and trust, transportation of raw cashewnut, power rationing at rural places, and quality of cashew nut. The study has also established the factors that influence FDI in

cashewnut process industries, the nature of national material and non-material environment support, land distribution and development, contribution of other traditional crops in the export basket, industrialization in source of energy.

#### **5.4 Recommendations**

Based on the conclusions drawn on the determinants of FDI in Cashewnut processing industry, it is recommended that:

##### **5.4.1 Attracting FDI**

The government of Tanzania, through the Ministry responsible for industries and agriculture to develop or rather increase commitment on the appropriate follow-up of the plans to ensure that all the investors are provided with adequate services that assists their investments in agriculture and Cashewnut processing industries at large; ; For example, the ministries should make sure that the industrial and agricultural sectors have access to researches, adequate equipment and skills, and mostly importantly the environment fro investment including the legal structure and procedures.

The government of Tanzania; through the ministries responsible as well as and local governments; should ensure that the farmers are provided with proper knowledge on the best ways of farming and treatment of Cashewnut at all levels of productions. This can be achieved through establishment of mobile/outreach service provision progammes, so that farmers will an easy access to agricultural assistance.

Furthermore, there should be exemption of dues, tax and regulation that might attract foreign investors' intention to invest in the processing industries for Cashewnut

products. The exemption is necessary in facilitate both local farmers and foreign investors as it enables them to get full support. Industrial and agricultural stakeholders such as local government authorities, farmers, foreign investors, and NGOs should collectively make efforts to sensitize each other in order to ensure that their sectors work in harmony with each other.

#### **5.4.2 Improving the Cashewnut Agricultural Sector**

Because of the necessity of the products quality towards attraction of FDI it is recommended that the ministry should focus on developing quality structure and view dimensions used to measure the quality of agricultural products is important, it is recommended that the dimensions used in this study should be considered by the Ministries responsible and other stakeholders in monitoring and evaluation on product quality. Furthermore, it is recommended that the country should maintain a strong focus on investors' expectations by improving Cashewnut products that would match international market standards expectations. Also it is recommended that more attention should be paid to the investors' demands dimensions with higher gaps in order to meet the respondents' expectations.

#### **5.4.3 Policy Makers**

The investment policy must be adherent or rather amended to commit the government to direct invest in Cashewnut production as the government involvement in the agricultural processing industries is rater discouraging. Policies slogans must be devised to for example “Mabaki Kwake Shambani Tunachukua Korosho Halisi tu, (Leftover Remains at Farm, We take only Pure Cashewnut)”, “Korosho iliyobanguliwa ni Almasiyetu (Processed Cashewnut is Our Diamond)”. Together

with capacity building among local farmers the Cashewnut industry will be promising. The Tanzania education system should incorporate agriculture with other multidisciplinary aspects such as agricultural engineering, marketing in agriculture, insurance and international business in agriculture in order to have enough multi-knowledgeable human resources.

#### **5.4.4 Areas for Further Research**

The finding of this study suggests stakeholders to play a role in facilitating FDI in flows in the country and in the agricultural sector. Therefore, it is suggested that further research should be conducted to assess the role of FDI stakeholders towards facilitation of the FDI in the country. This is because agricultural sector is a diverse sectors that its development and improvement needs the absorption of potentials from all stakeholders.

It is also suggested that the environment that attract foreign direct investors should periodically be researched on in order to understand the explicit status of the issues related to issues. This is due to the fact that time is a very elastic issue which affects other factors pertaining with FDI flows in all sectors and in agriculture sectors in particular. Future studies on Foreign Direct Investment should go beyond general assessment of the determinants and comparisons and change its focus to include diverse sectors like infrastructure and education. Also this study based its attention on the status of processing industry in connection to Cashew-nut, future studies should look in other crops like Cotton and food crops.

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United Nations Conference on Trade and Development

**APPENDIXES****Appendix I: Questionnaire**

Tick where appropriate

**Demographic Profile****Sex**

<b>Sex</b>	<b>Frequency</b>
Female	
Male	

**Age**

<b>Age Group</b>	
18- 25	
From 26 to 35	
From 36 to 45	
From 46 to 55	
Above 55	

**Education Level**

Primary School Education	
Secondary School Education Level	
Certificate Level of Education	
Diploma Education Level	
Undergraduate Education Level	
<i>Phd</i> Education Level	

**Work Experience**

<b>Working Experience</b>	<b>Frequency</b>
1-3 Years of working experience	
4-6 Years of working experience	
7-9 Years of working experience	
10-12 Years of experience	
13-15 Years of experience	
Above 15 Years of experience	



**Factors Contributing to Foreign Investors' Interest in Cashewnut Processing Industries**

SN	Variables	SD	D	N	A	SA
B01	Does country population size has influenced the production output and market size situation that has contributed towards foreign investors desire to invest outside their country's border?					
B02	Do farmers use facilities that facilitate production of quality cashew-nut that cannot win international markets?					
B03	Does available and distributed sources of energy influences investors' interest in cashew-nut?					
B04	Does individual and private company in the economy and industrialization has attracted foreign direct investors?					
B05	Does the government investment in general infrastructure have spearheaded the influx of foreign direct investment in Tanzania?					

### The Factors Limiting FDI in Cashew nut Processing Industry

SN	Variables	SD	D	N	A	SA
A01	Does the laws and regulation governing Cashew nut production in the country have limited foreign direct investors in Cashew nut production?					
A02	Does transportation of raw cashew nut has an impact in the development of processing industry because it determines the availability of raw material and capacity of the country's Cashew nut processing?					
A03	Does power rationing at rural places where most farms are located in the southern zone has been reliable to accommodate processing industries?					
A04	Does the quality of Tanzania Cashewnut is contributing factors to the development of foreign direct investment in processing industry?					
A05	Does the national 2025 vision have contributed in the speed of foreign direct investment in the country?					

## **Appendix II: Interview Guide**

### **Key Informants Interview**

- i) Does FDI have a room to establish or improve processing industry in Cashewnut production areas? How can be influenced?
- ii) In your opinion, considering the presence of FDI in the country how can it be used as an incentive industrialize Cashewnut process?
- iii) Is there any program designed to educate Cashewnut producers concerning the contribution of processing industry in agriculture? What did the programme cover?
- iv) Basing on your experience, what are the challenges facing FDI in development of processing industry?
- v) What are the existing initiative/ measures in place for utilizing FDI presence for processing industry development?
- vi) What are the major opportunities brought by FDI in connection to Cashewnut processing industry development?

**Thanks for your Cooperation**