THE IMPACT OF FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH IN TANZANIA: 2015-2022

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS IN INTERNATIONAL COOPERATION AND DEVELOPMENT, DEPARTMENT OF POLITICAL SCIENCE, PUBLIC ADMINISTRATION, HISTORY AND PHILOSOPHY OF THE OPEN UNIVERSITY OF TANZANIA

2025

CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University, a dissertation titled **"*The Impact of Foreign Direct Investment on Economic Growth in Tanzania*"** in the fulfillment of the requirement for the Degree of Masters in International Cooperation and Development of Open University of Tanzania.

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DECLARATION

I, **Flora Sima Kyemi,** do here by declare that, the work presented in this dissertation is original. It has never been presented to any other University or Institution. Where other people's works have been used, references have been provided. It is in this regard that I declare this work as originally mine. It is hereby presented in partial fulfillment of the requirement for the Degree of Masters in International Cooperation and Development of the Open University of Tanzania.

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Signature

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Date

DEDICATION

I dedicate this dissertation to my family. This dissertation is the fruit of their sacrifice and dedication to supporting my studies and career.

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First and foremost, thanks to the Almighty God for giving me the strength, courage to pursue my studies and conducting this study.

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ABSTRACT

Tanzania has experienced a positive trend in foreign direct investment (FDI) inflows since transitioning to a free and liberalized economy in the late 1980s. The study examined the impact of foreign direct investment on Tanzania's economic growth. The study used a descriptive research design, using a census of annual reports from World Banks for 2015-2022 and 15 BOT samples for interviews, whereby multiple regression analysis was used for the quantitative data, and thematic analysis for the qualitative data. The study revealed that economic growth was significantly and positively influenced by FDI inflows, implying that increase in FDI inflows lead to increase in economic growth. It was also noted that the economic growth was significantly and negatively influenced by GFCF, meaning that decrease in GFCF leads to decrease in economic growth. The study also noted that economic growth was positively influenced by trade openness but, this effect is not statistically significant in this model, indicating that increase in trade openness leads to increase in economic growth. The study recommends that the government, Ministry of Industry and Trade, and Investment must collaborate in order to implement policies that maximise the benefits of FDI inflows by drawing capital into high-growth and productive industries; increase the effectiveness of capital formation to prevent misallocations and guarantee that investments provide long-term financial returns; and prioritise promoting trade openness by encouraging competitive industries and developing the infrastructure and human capital required to capitalise on international trade.

Keywords: Investment, Foreign Direct Investment, Economic, Economic Growth, Local Government Authority.

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LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
ECOWAS	Economic Community of West African States
ECM	Error Correction Model
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GMM	Generalized Method of Moments
GFCF	Gross Fixed Capital Formation
IMF	International Monetary Fund
INFPC	Inflation Consumer Prices Index
MNCs	Multinational Corporations
ODI	Overseas Development Institute
RGDP	Real Gross Domestic Product
TOPNESS	Trade Openness
U.S	United State
UNDP	United Nation Development Project
USD	United State Dollar
UNCTAD	United Nations Conference on Trade and Development
UEMPYT	Youth Unemployment
VECM	Vector Error Correction Model
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization

CHAPTER ONE

INTRODUCTION

1.1 Overview

Tanzania has experienced a positive trend in foreign direct investment (FDI) inflows since transitioning to a free and liberalized economy in the late 1980s. The amount of FDI increased from 1.1% in 1990 to 5.3% in 2007, but then fell to 0.7% in 2023 (World Bank, 2024). This chapter provides information on the impact of foreign direct investment on economic growth in Tanzania. It presents the background of the study, statement of the problem, objectives of the study, research hypotheses, significance of the study, scope of the study, and organization of the dissertation.

1.2 Background of the Study

According to Mwita (2022), some of the most crucial determinants of economic growth that are also faced by developing countries are FDI, GFCF, and trade openness. These variables have increasingly become a focal concern because they are perceived as channels for encouraging capital accumulation, technology transfer, and access to international markets.

FDI has indeed been perceived by many countries, in recent times within the global context, to be one of the fundamental drivers for economic growth, more so in low-income countries as well as within those developing nations where access to domestic financial resources is drastically constrained. These inflows bring in the capital so urgently required for enhancing capacities, creating gainful employment opportunities, and attainment of technological and skill transfers. According to

Marcel (2019), FDI bridges the gap in domestic savings, foreign exchange, and government revenue, which accords developing countries an opportunity to expedite their development agendas. In the context of global growth theories, the endogenous growth theory posits that FDI contributes to long-term economic growth since spillover of knowledge and technology diffusion translate into increased productivity (Fan, 2002).

In the regional context, Sub-Saharan Africa has increasingly integrated FDI into its development agendas. Besides Nigeria and Kenya, which have emerged as the major FDI inflow recipients in the energy, agriculture, and mining sectors, regional and global markets have been capitalized (Andy et al., 2020). An upshot of its rich natural resources and improving investment climate, Tanzania has come to hold a key position within East Africa in terms of attracting foreign investments. This is evidenced by the Bank of Tanzania (2024), which reports that FDI inflows to Tanzania increased by 14.7 percent to USD 1,648.91 million in 2023, with investments spread across several sectors of the economy. However, regional challenges such as political instability and infrastructural deficiencies remain the most prevailing factors impeding distribution and effectiveness in FDI in engendering sustainable economic growth within the region (Samuel, 2019).

The economic policies of Tanzania since the 1980s changed from Socialism towards liberalization and allowed increased opportunities for participation in global markets through FDI, Trade openness, and Fixed Capital Investment. This is further reinforced by the fact that the pro-business policy initiated by the Tanzanian

government, particularly the Tanzania Investment Act of 2022, as well as the establishment of investment promotion agencies, has been very important in attracting FDI into the country (URT, 2022). The active investors from China, India, and the UK target increasingly mining, energy, and agriculture, contributing a great deal to Tanzania's gross fixed capital formation (Andy et al., 2020).

For the last two decades, FDI inflows have been one of the important determinants of economic growth in Tanzania. According to the World Bank (2022), the pace of FDI inflows has increased during the last seven years between 2015 and 2022, on account of big-ticket deals in mining, telecommunications, and infrastructure development. Capital inflow and technology transfer through FDI have thus been instrumental in building up the industrial base and increasing productivity levels in Tanzania. The capital-intensive sector emphasis brought into question the broad-based effects on poverty reduction and job creation, but overall, it has done much in raising the rate of growth within Tanzania's GDP, especially for export-oriented industries. (Mwita, 2022). Based on the Figure 1.1, it was observed that the GDP growth rate varies over time, exhibiting a general decline from 6.16 percent in 2015 to 1.99 percent in 2020. 2020 sees a discernible decrease, most likely as a result of the COVID-19 pandemic's impact on the world economy. The GDP growth rate starts to rebound after 2020 and increases from 4.32 to 4.56 percent in 2021 and 2022. Conversely, foreign direct investment inflows have remained mostly constant over time, varying only slightly between 1.5% and 2.5%. FDI inflows are stable and show no significant upward or downward trend, even in the face of fluctuations in GDP growth (World Bank, 2022).

Figure 1.1 Time Series for Fixed Direct Investment
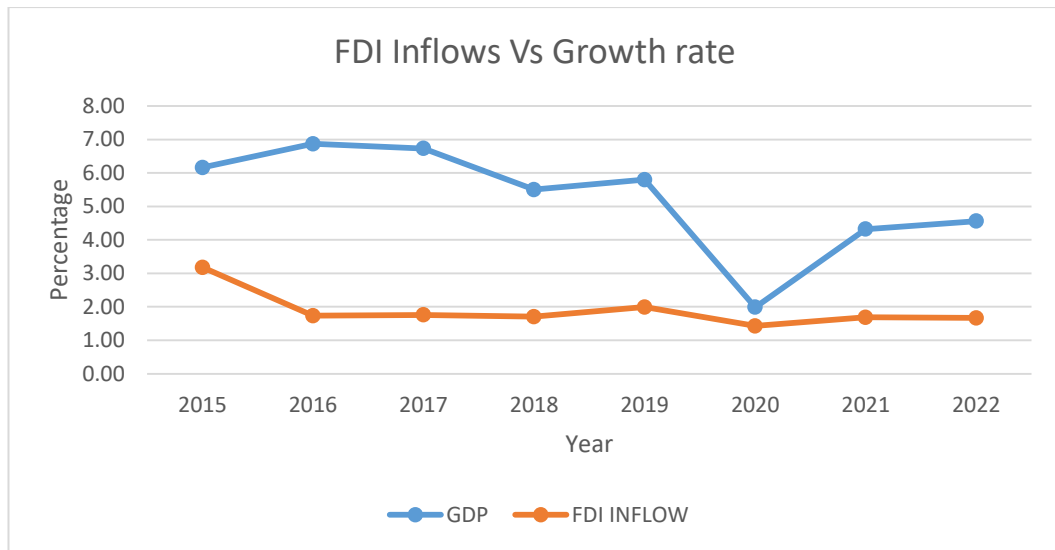
The endogenous growth theory supports the view that FDI not only might cause economic growth, but also can provoke innovation and give easier access to superior technologies, thus being able to enhance productivity and competitiveness (Hsiao, 2006). As for Tanzania, the contributions of FDI actually materialized in industries like energy and telecommunications, whereby companies introduced new technologies and infrastructures (Samuel, 2019).

Gross fixed capital formation (GFCF) is relevant because it captures the investment in infrastructure, machinery, and buildings that are so vital for the long-term economic growth of a country. The fixed capital investments by both the public and private sectors in Tanzania have massively increased between 2015 and 2022. This can be explained: huge infrastructure projects on roads, railways, energy generation, and port expansion were ongoing and boosted the GFCF. The projects facilitated higher capacity and output levels, especially in transportation and logistics, which is

a pre-requisite for trade facilitation and economic diversification. According to the World Bank, (2022), GFCF is usually considered to be strongly associated with FDI because foreign investment often leads to additional capital creation in the economy of the host country. FDI in the strategic sectors has not only boosted the industrial capacity in the economy of Tanzania but also contributed to infrastructural development that is crucial for developing economies in the long term (Andy et al., 2020).

Trade openness refers to the degree at which an economy is open to rest of world through exports and imports; a characteristic that has taken the front seat in Tanzania's economic policy since the mid-1980s onwards, according to Mwita (2022). The higher trade openness of Tanzania has allowed for a better integration into world markets, where the exportation-based sectors like agriculture, mining, and tourism reflect just that. Agreements in trade signed by the government and regional and international organizations, such as EAC and WTO respectively, have been quite instrumental to improve the country's access to the international market (World Bank, 2019).

Trade openness is important for competitiveness, innovation, and growth in the export-oriented sectors (Samuel, 2019). The openness of trade in Tanzania simply corresponds to improved foreign exchange earnings and economic growth, coupled with a relatively improved trend in industrial production. This in itself implies that the economy would be left more vulnerable to exogenous shocks, such as those in international commodity prices, which could affect the trade balance and growth trajectory of Tanzania (Mwita, 2022).

It also relates to this study because, under the endogenous growth theory, the FDI and GFCF work together in causing long-term growth of economies through innovation and capital accumulation. This framework is closely related to the current focus of this study, which looks at the level of contribution that FDI inflows and investment in fixed capital provide for economic growth in Tanzania from 2015-2022. The neo-classical growth theory explains how, within one direction, FDI influences economic growth; therefore, this will serve to help establish the direct relationship between FDI inflows and GDP growth in Tanzania (Hsiao, 2006).

1.3 Statement of the Problem

FDI plays a leading role in the economy of Tanzania. FDI inflows expanded from USD 47 million in 1990 to peak at USD 2.1 billion in 2013, before experiencing a steep fall to USD 685 million in 2020 as a result of the COVID-19 pandemic and changes in investment patterns (World Bank, 2022). This decline upraises the sharp question of whether FDI still contributes positively to Tanzania's economic growth, especially during the critical times of 2015–2022. That said, research on its influence during these years is important in informing policy-makers of viable means of improving economic recovery and sustainability.

Although studies such as those by Muhammad. et al. (2019) and Yousaf, et al. (2016), postulate that FDI can indeed have a positive effect on economic growth, evidence from sub-Saharan Africa, let alone Tanzania, remains mixed. Recent studies have not only failed to provide conclusive results regarding the long-term impact that FDI has, especially in the Tanzania's economy, however, Andy et al.

(2020) and Mwita (2022) have not been able to provide evidence for this very thing. This therefore brings in the need for further investigation into what the specific role FDI may play in the economic growth perspective, especially in relation to Gross Fixed Capital Formation and trade openness, variables which, as Rahman (2015), remain poorly explored in Tanzania's context.

As a fact, FDI has been declining since 2013, and this has been exacerbated by the recent global shocks. In this light, reassessment of development strategy is needed for Tanzania. Most of the available studies have failed to consider the significant shifts in policy, investment patterns, and global economic disruptions that have taken place in recent years (Andy et al., 2020; Mwita, 2022). Therefore, the study tries to bridge these gaps by analyzing how FDI inflows have affected the economy's growth of Tanzania from 2015 to 2022, mainly focusing on the interaction of FDI with GFCF and trade openness.

This gap in existing literature calls for an in-depth investigation of how FDI inflows between 2015 and 2022 have interacted with these key economic factors. The decline in FDI, compounded by global shocks and domestic economic shifts, requires urgent attention to understand its impact on economic growth and the policy strategies needed to revitalize FDI and ensure sustainable economic recovery. Given the recent economic challenges and evolving global context, understanding the changing role of FDI is crucial for policy-makers seeking to enhance Tanzania's economic growth and resilience in the post-pandemic era.

1.4 Study Objectives

1.4.1 General Objective

The main objective of this study is to assess the impact of foreign direct investment on the economic growth in Tanzania for the period of 2015 to 2022.

1.4.2 Specific Objectives

i.   To examine the extent to which foreign direct investment inflows contribute to economic growth in Tanzania.

ii. To assess the impact of gross fixed capital formation on the economic growth in Tanzania.

iii. To determine the impact of trade openness on the economic growth in Tanzania.

1.5 Research Hypotheses

$H_{1:}$ Foreign direct investment inflows have a positive impact on the economic growth in Tanzania.

$H_{1:}$ Gross fixed capital formation has a positive impact on the economic growth in Tanzania.

$H_{1:}$ Trade openness has a positive impact on the economic growth in Tanzania.

1.6 Significance of the Study

The study provides information to what extent FDI affects our country's economic development. The research is also useful to the investment authority in Tanzania, as it offers knowledge about the effect of FDI inflows, gross fixed capital formation,

and trade openness on economic growth. This helps them reform their policies and regulations to establish an atmosphere that is conducive to bringing more FDIs into the country. Increase awareness to the users on the impact that FDIs have on the Tanzanian economy.

1.7 Scope of the Study

This study was limited to the analysis of the impact of FDIs on economic growth in Tanzania specifically on the following objectives of assessing the impact of foreign direct investment inflows, gross fixed capital formation inflows, and trade openness on economic growth in Tanzania for the period of 2015 to 2022, whereby data were based from secondary source including annual reports from World Banks, and primary source including interview with employees from Bank of Tanzania (BOT).

1.8 Organization of the Dissertation

This dissertation covers only five chapters. The first chapter is introduction then background of the study, statement of the problem, general and specific objectives of the study, research hypotheses, significance of the study, scope of the study and the organization of the proposal itself. Chapter two is the literature review which covers the introduction then definitions of concepts and terms, theoretical literature review, empirical literature review which analyze how different writers brought to bear some comprehensive piece of others in relation to the topic then conceptual framework and operationalization of the variable. Chapter three is research methodology which consists of research design, area of the study, target population, sample size and sampling techniques as well as data collection methods, variables and measurements,

data analysis techniques, and ethical consideration. In the chapter four, the study covers the analysis, presentation of the findings and discussion of the findings. Finally, chapter five consists of summary, conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter presents literature review on the impact of foreign direct investment on economic growth which covers definition of key terms, theoretical literature review, empirical literature review, conceptual framework and operationalization of variables.

2.2 Definition of Key Terms

2.2.1 Foreign Direct Investment (FDI)

FDI refers to investment made by a corporation or individual from one nation into commercial interests in another country. It is a transnational flow of capital where a parent company in one economy initiates a subsidiary in another (Krugman and Obstfeld. 2008). UNCTAD (2016) defines FDI as an investment by an entity aiming to invest in another country for over a year.

2.2.2 Economic Growth

According to Amos (2019), economic growth refers to the gradual increase in a nation's output of goods and services, typically measured by GDP. It can be influenced by factors such as capital goods, labour force, technology, and human capital. In the context of Tanzania, economic growth is driven by multiple factors including an expanding labor force, increased investment in infrastructure and capital goods, advancements in technology, and improved human capital through education and health services. As a developing economy, Tanzania's growth

trajectory is also closely linked to foreign investment, agricultural productivity, and the exploitation of its abundant natural resources.

2.2.3 Gross Fixed Capital Formation

Gross fixed capital formation is the total investment in fixed assets within an economy within a specific time frame, including the acquisition of produced assets, production by producers, and disposals, as defined by Marcel (2019). In the context of Tanzania, gross fixed capital formation plays a critical role in boosting productivity and supporting long-term economic growth by expanding the physical capital base.

2.2.4 Trade Openness

Trade openness refers to a country's economic orientation, with outward orientation indicating economies that maximize trade opportunities, and inward orientation indicating those that overlook or fail to capitalize on these opportunities (Hye, et al. 2016). In the case of Tanzania, trade openness has become increasingly important in integrating the economy into regional and global markets, influencing foreign investment inflows and overall economic performance.

2.2.5 Trend of FDI on Economic Growth

Based on the Figure 2.1, it was observed that the GDP growth rate varies over time, exhibiting a general decline from 6.16 percent in 2015 to 1.99 percent in 2020 (World Bank, 2023). 2020 sees a discernible decrease, most likely as a result of the COVID-19 pandemic's impact on the world economy. The GDP growth rate starts to

rebound after 2020 and increases from 4.32 to 4.56 percent in 2021 and 2022. Conversely, foreign direct investment inflows have remained mostly constant over time, varying only slightly between 1.5% and 2.5%. FDI inflows are stable and show no significant upward or downward trend, even in the face of fluctuations in GDP growth.

Figure 2.1 Time series for Fixed Direct Investment
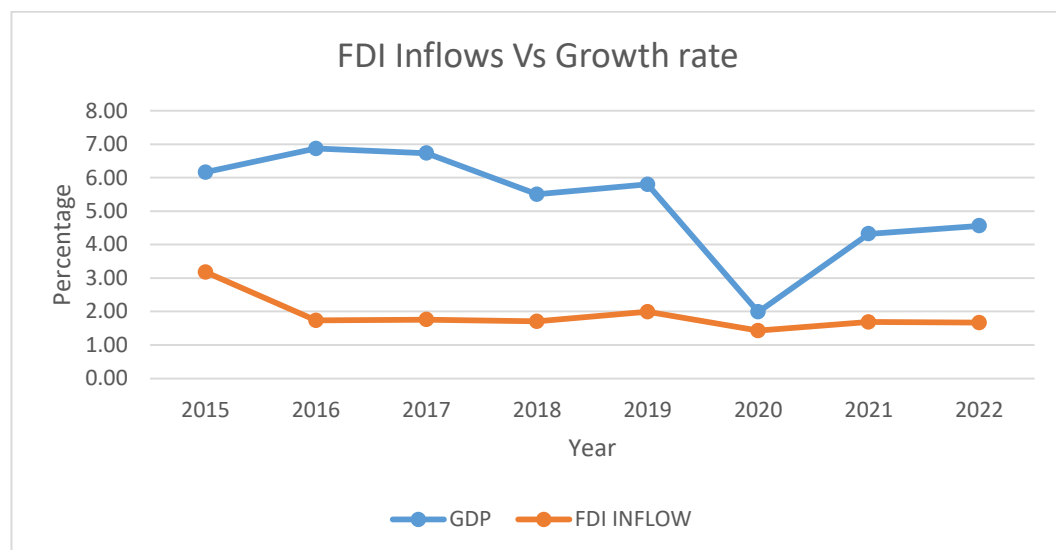
Sources: World Bank (2023)

The presented results in the figure 2.1 concur with the study by Sharma et al. (2020), which noted that there is no significant relationship between FDI growth rate and economic growth rate. However, they also noted that investment is a key factor in GDP growth, as increased investment leads to higher employment and income levels. The study highlights the significant role of foreign investment in open economies, whether direct or indirect. Moreover, the study by Andy et al. (2021)

argued that FDI inflows, when complemented by appropriate macroeconomic conditions, significantly boosted economic growth.

Additionally, the figure demonstrates a link in which FDI inflows remain constant but the GDP growth rate shows greater fluctuation and reactivity to outside influences like economic crises. This concurs with the study by Muhammad et al. (2019), which noted that democracy significantly modifies the positive effect of FDI on economic growth. The study suggests that the marginal effect of FDI on growth depends on the level of democracy and other external factors like the pandemic, with countries promoting democratic institutions benefiting more from FDI inflows. This aligns with the growing belief that the growth effect of FDI depends on other factors in host countries.

However, the it was noticed that the pandemic-related decline in GDP in 2020 was not accompanied by a commensurate decline in foreign direct investment inflows, indicating that foreign investors might not have responded as strongly to short-term swings in GDP growth. Therefore, FDI inflows have been rather consistent over this period, demonstrating a stable interest from foreign investors independent of swings in economic growth, while GDP growth has seen more significant changes.

Although the GDP fluctuates, foreign investment inflows have remained reasonably consistent, suggesting that foreign investment and short-term economic development may not be directly related. This is in line with research that highlights the impact of non-economic elements on FDI decisions, such as long-term investment plans,

regulatory frameworks, and geopolitical stability (Muhammad, et al., 2019). Specifically, industries like as technology and services may have received more foreign direct investment (FDI) irrespective of GDP performance, whereas traditional industries like manufacturing and infrastructure have received less investment (Marobhe, 2015).

2.2.6 Trend for Gross Fixed Capital Formation

From the Figure 2.2, the outcome demonstrates a consistent rise over time, rising from roughly 35% in 2015 to roughly 42% by 2022. As a percentage of overall economic production, this shows a rising trend in fixed investments, such as machinery, equipment, and infrastructure. On the other hand, the GDP growth rate fluctuates between 5% and 7% throughout the same period, remaining comparatively flat. There are minor declines in 2019 and 2020, perhaps as a result of the pandemic or other financial difficulties, and a tiny rebound in 2021 and 2022.

The growing GFCF shows that more money is being allocated to fixed assets, but GDP growth has not increased noticeably as a result. The comparatively slow GDP growth implies that either other factors are impeding GDP development or the capital investment is not being adequately utilised to increase total economic productivity. A long-term emphasis on infrastructure and investments that could eventually pay off in the form of faster economic growth could be suggested by the rising GFCF. On the other hand, inefficiencies in the way investments are being converted into economic production may be indicated if GDP growth stays low in spite of rising investment.

Figure 2.2 Time series for Gross Fixed Capital Formation
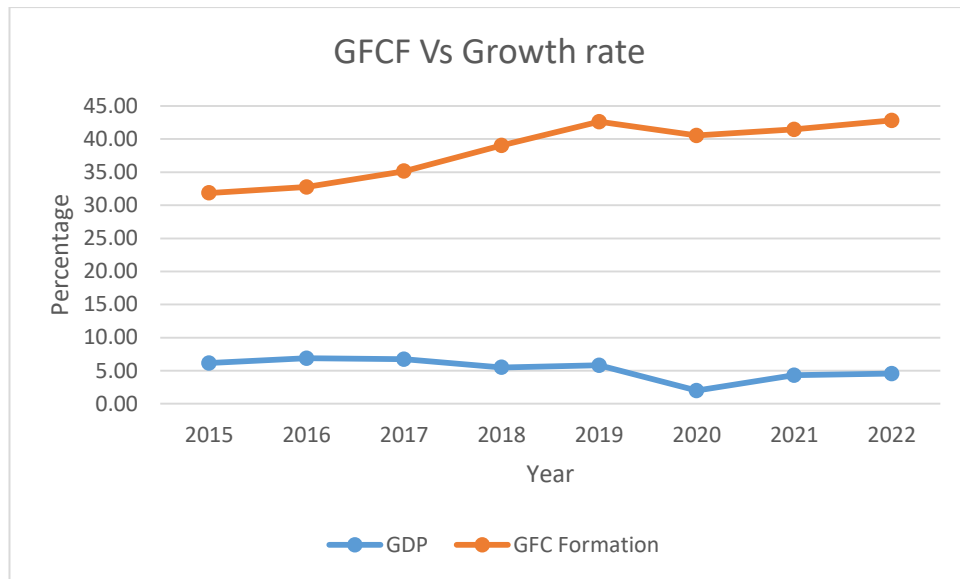
Sources: World Bank (2023)

The presented results in the Figure 2.2 concur with the study by Andy et al. (2021), which noted that GFCF had a greater impact on economic growth when complemented by appropriate macroeconomic conditions and can enhance economic growth. Capital investments might not result in economic growth right away, particularly if there is a lack of productivity or efficiency in the use of these investments. For instance, capital investments may not have the full effect on GDP if the workforce is underqualified or if government spending is inefficient. Similarly, the study by Mustafa (2019), which revealed that the GFCF has risen steadily over the years, indicates that the government and companies have been investing a lot of money on fixed capital assets, including machinery, equipment, and infrastructure. Higher GFCF typically indicates the possibility of future growth because capital goods investments increase output capacity, productivity, and infrastructure. These

investments ought to yield dividends over time, improving the state of the economy as a whole. During this time, GDP growth has been comparatively flat, with only minor variations, notwithstanding the rise in fixed capital investments. GDP growth never increases in tandem with periods of strong increases in GFCF, and at times (2019–2020) GDP growth even declines. Significant global causes like trade interruptions, policy uncertainty, or the start of the COVID-19 pandemic, which caused economic slowdowns worldwide, could be blamed for the decline in GDP growth during this time.

The study by Çevik et al. (2019), also despite the GFCF increase, the global economic slowdowns caused by the COVID-19 pandemic, trade disruptions, policy uncertainty, and other major causes could be the reason for the decline in GDP growth during this period. The study by Sokang (2018) argued that it is probable that the industries with the biggest influence on GDP growth in the near term aren't the ones receiving the majority of GFCF. For instance, it could take several years for infrastructure improvements like building new roads and bridges to boost economic output.

The notable rise in GFCF in the absence of a comparable rise in GDP may indicate inefficient capital allocation. The process of turning these investments into profitable assets that spur economic growth could take longer than expected (Andy et al., 2021). For instance, bureaucratic bottlenecks, corruption, or other inefficiencies may hinder infrastructure investments in developing economies and make it difficult to finish these projects on schedule and within budget. The economy's overall GDP

growth rate may not increase in step with capital investments even with rising GFCF if structural issues like low labour productivity, bad governance, or difficulties in vital sectors (like manufacturing or exports) persist. Growth may also be constrained by labour markets, regulations, and economic policies.

A commitment to long-term economic development is indicated by the rising GFCF, but the flat GDP growth indicates that this investment has not yet produced noticeable short-term gains. Inefficiencies, structural problems, or outside economic variables could be to blame for this. If these investments are used effectively going forward and are combined with other economic changes, GDP growth might potentially increase. Stronger growth in the upcoming years could result from the increase in GFCF with the appropriate policies in place.

2.2.7 Trend for Trade Openness

From the findings (Figure 4.3), the results show that trade openness peaks in 2015 at about 40% and then gradually declines until 2019, when it reaches its lowest position. Trade openness has somewhat recovered after 2019 and is expected to reach over 35% in 2021 and 2022. Although there have been some indications of a comeback in recent years, trade openness is generally on the decline. The GDP growth rate is essentially constant over the examined period, hovering around 5%. GDP growth varies very little, with a little decline in 2020 possibly as a result of the pandemic-related worldwide economic slowdown and then stabilisation.

It was also noted that there is no clear short-term association between GDP growth and trade openness, however trade openness exhibits a discernible drop followed by a recovery. After 2020, trade openness may rise in response to an economic recovery, but the GDP growth rate is essentially flat, indicating that other factors may be driving the economy as a whole.

The reopening of international markets and the relaxation of trade restrictions may be responsible for the comeback in trade openness beyond 2020. The fact that GDP growth has not altered much in spite of this rebound, however, indicates that the economy may not be as responsive to changes in trade openness as it may be to other factors like domestic consumption or government spending. The GDP growth rate is reasonably stable over this period, hovering around 5% despite swings in trade openness. The economy appears to be more resilient to fluctuations in trade openness, as suggested by its stability. It may also point to a diversified economy with robust internal drivers such as government policies, domestic consumption, and services.

Figure 2.3 Time series for Trade Openness
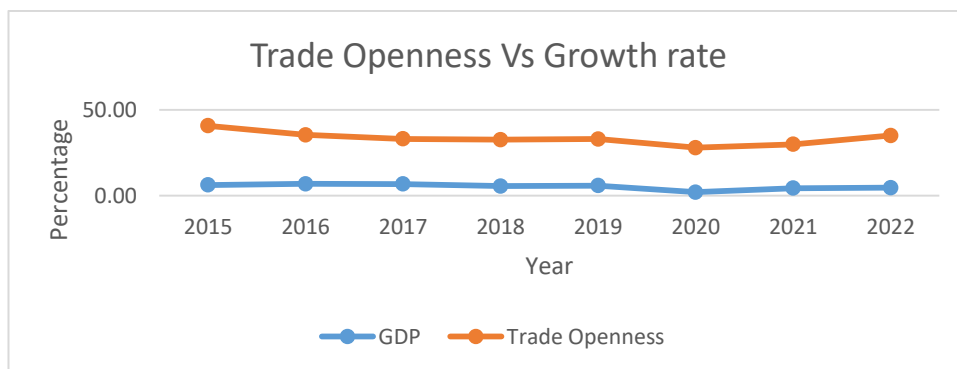
Sources: World Bank (2023)

The presented results in the Figure 2.3 concur with the study by Janeth (2020), which noted that the dip in both trade openness and GDP growth rate in 2020 can be attributed to the COVID-19 pandemic, which caused disruptions in trade, reduced global demand, and halted many economic activities. Similarly, the study by Mwitta (2022) which found that after 2020, trade openness may improve, which might mean that economies are recovering from the pandemic and resuming global commerce. As demand increased and supply networks reopened, international trade most likely resumed. The GDP growth rate is mostly unaffected by the swings in trade openness, hovering around 5% over the course of the decade. This stability could point to a diverse economy with strong internal drivers including domestic consumption, services, and government policies, as well as a more resilient economy to fluctuations in trade openness.

Moreover, the flat GDP growth rate indicates that, in this scenario, the economy may have other strong sectors (e.g., services, technology, or agriculture) that buffer it from trade volatility. Trade openness normally increases economic growth by increasing market access. Notwithstanding changes in trade, domestic policy, consumer patterns, investment, and government expenditure probably have a big impact on GDP growth. It's possible that the government used stimulus measures to boost the economy when trade was declining (Neusser, 1991).

Correspondingly, the study by Lema and Romanus (2011), found that although there have been notable variations in trade openness, the GDP growth rate has stayed comparatively steady. Strong domestic economic policies, the importance of

industries less reliant on foreign trade, or the lagging impacts of trade on growth could all be contributing factors. If trade remains a vital component of the economy, the post-2005 rebound in trade openness may portend positive GDP growth in the future. Nonetheless, the nation seems to have other strong growth drivers given the steady GDP trends in spite of trade declines.

2.3 Theoretical Literature Review

Endogenous growth theory, developed by economists Paul Romer (1986) and Robert Lucas (1988), presents a framework for understanding long-term economic growth driven by internal factors within the economy rather than external influences alone. The theory highlights the role of human capital, innovation, and knowledge accumulation as key drivers of growth. Unlike traditional neoclassical models, which emphasize diminishing returns to capital, endogenous growth theory argues that investments in knowledge and technology can lead to sustained growth without diminishing returns (Romer, 1986; Robert, 1988).

The theory makes several key assumptions. It assumes that technological progress is endogenous, meaning it results from investment in human capital, research, and development, rather than being an external factor. It also posits that human capital, which includes education and skills, plays a central role in driving productivity and economic growth. Furthermore, it assumes increasing returns to scale in sectors that involve the accumulation of knowledge or human capital, allowing for continuous growth. Lastly, the theory assumes that markets are competitive, and that firms' investments in innovation, driven by profits, will lead to technological advancements that benefit the economy as a whole.

In the context of this study, foreign direct investment (FDI) inflows are critical as they contribute to the accumulation of physical and human capital, which in turn stimulates economic growth. According to recent literature, FDI plays a vital role in technology transfer and the adoption of new management practices, which enhance productivity and innovation in host economies (Asiedu, 2020). FDI also provides access to global markets, facilitating the integration of developing economies into the global value chains, thus driving economic growth (Chakraborty & Nunnenkamp, 2017).

Gross fixed capital formation (GFCF) is another key variable, representing the total amount invested in physical assets like machinery, infrastructure, and buildings. Studies show that higher levels of GFCF have a direct relationship with economic growth, as investments in physical capital lead to improved productivity and infrastructure development, fostering sustainable growth (Kinda, 2021). Investment in infrastructure, particularly in transportation and communication, also enhances the efficiency of other sectors, which is essential for economic expansion (Muriithi & Moyi, 2021).

Trade openness, which refers to the extent of a country's integration into global markets, fosters economic growth by allowing access to international goods, services, and capital. Recent research highlights that greater trade openness drives innovation and competition, as economies become exposed to a broader range of technologies and business practices (Tang & Selvanathan, 2018). Furthermore, trade openness promotes efficient resource allocation and enhances productivity through

the increased flow of capital, labor, and technology (Banga & Das, 2020). Therefore, these variables FDI, GFCF, and trade openness are interconnected and crucial for driving economic growth through their effects on technological progress, productivity, and global integration.

One strength of endogenous growth theory is its ability to explain persistent, long-term growth through factors that are internal to the economy (Romer, 1986; Robert, 1988). Unlike neoclassical theories, it provides insights into how policies aimed at enhancing human capital, technological innovation, and investment in knowledge can create a self-sustaining growth process. However, a notable weakness is its reliance on assumptions about perfect competition and the direct link between knowledge accumulation and growth, which may not hold in all economies (Romer, 1986; Robert, 1988). Additionally, the theory often neglects the role of external factors like globalization or the economic environment in shaping growth outcomes. Despite its weaknesses, endogenous growth theory remains highly relevant to this study on the effect of FDI, GFCF, and trade openness on economic growth. The theory's focus on internal factors such as human capital and innovation directly aligns with the role of FDI in technology transfer and the importance of capital formation in stimulating economic growth (Asiedu, 2020; Chakraborty & Nunnenkamp, 2017; Kinda, 2021; Muriithi & Moyi, 2021). Furthermore, trade openness complements the theory's emphasis on knowledge spillovers and competition, both of which are central to fostering innovation and productivity improvements (Tang & Selvanathan, 2018; Banga & Das, 2020). Thus, despite its

limitations, the theory provides a robust framework for understanding the dynamics at play in Tanzania's economic growth in relation to these variables.

In conclusion, endogenous growth theory was chosen for this study due to its focus on the internal drivers of growth, which are highly applicable to the investigation of FDI, GFCF, and trade openness. While the theory's assumptions may not fully account for every aspect of economic growth, its emphasis on human capital, innovation, and technological advancement makes it a valuable tool for analysing the mechanisms through which these factors influence economic growth in Tanzania.

2.4 Empirical Literature Review

2.4.1 The Effect of FDI inflow on the Economic Growth

Sharma, et al. (2020), examined the relationship between foreign direct investment (FDI) growth rate and GDP growth in India. Using correlation and regression analysis, they found no significant relationship between FDI growth rate and economic growth rate. The study also revealed that investment is a key factor in GDP growth, as increased investment leads to higher employment and income levels. The study highlights the significant role of foreign investment in open economies, whether direct or indirect.

Muhammad. et al. (2019), studied the growth-effect of foreign direct investment (FDI) in 67 developing countries from 1984 to 2016, focusing on democracy's role. The results showed that democracy significantly modifies the positive effect of FDI on output growth. The study suggests that the marginal effect of FDI on growth

depends on the level of democracy, with countries promoting democratic institutions benefiting more from FDI inflows. This aligns with the growing belief that the growth-effect of FDI depends on other factors in host countries.

Hieu (2020), studied the impact of foreign direct investment (FDI) and international trade on Vietnam's economic growth from 2000-2018. The study used secondary data from the General Statistics Office of Vietnam and the ordinary least-square method. Results showed that FDI and international trade are related to Vietnam's economic growth, with FDI having a positive and statistically significant influence. Export also had a positive and statistically significant impact, while import had a negative but not statistically significant effect. This information is useful for Vietnam's policymakers in foreign economic relations.

Marcel (2019), studied the impact of foreign direct investment (FDI) on economic growth in the Republic of Benin using the Error Correction Model (ECM). The study analysed annual time series data from 1970-2017 using Granger causality methodology. The results showed that FDI had both immediate and time-lag effects on the economy in the short run, while it had a significant but negative effect in the long run. The causality test confirmed that FDI granger caused RGDP, not the other way around. Thus, FDI had a significant positive effect on the growth and development of the Nigerian economy only in the long run.

Yousaf, et al. (2016), utilized the Fixed Effects Model to analyze the impact of FDI, domestic investment, labour, and government expenditures on the economic growth

of South Asian Association of Regional Cooperation countries from 1990-2014. They found that domestic investment and FDI positively impacted economic growth, while labor had a significant positive relationship with GDP. Building highways, railroads, and ports is essential to increasing South Asia's trading potential. South Asia is now more competitive in commerce as a result of, for example, the upgrade of the port in Korea, which has decreased delays and improved Korea's capacity to manage higher trade volumes.

Abdullahi, et al. (2016), used STATA 10.0 software to analyze the impact of international trade on the economic growth of 16 West African countries from 1991-2011. The study found that exports had a significant positive impact on economic growth, with a 1% increase in export leading to a 5.11% increase in GDP. Imports also had a positive effect, with a 1% increase in import causing a 0.4115808% increase in GDP growth. However, imports had a statistically insignificant impact on economic growth. Exchange rates had a negative but statistically significant impact on economic growth. The research supports the importance of export promotion in boosting economic growth.

Afolabi, et al. (2017), studied the impact of international trade on Nigerian economic growth from 1981-2014 using the ordinary least-square technique. The results showed that government expenditure, interest rate, import, and export had positive effects on economic growth, while FDI and exchange rate had a negative insignificant effect. Nigeria must increase its human capital through education and skill development if it is to fully benefit from trade openness. A workforce with

higher levels of education can draw in more valuable foreign investments and increase productivity, both of which are necessary for long-term economic success.

Boakye and Gyamfi (2017), analysed the impact of foreign trade, FDI, external debt per capital, gross capital formation, inflation, and remittances per capita on Ghana's economic growth using the ordinary least-square method. They found that exports significantly impacted Ghana's GDP, with an average increase of 2.085755. FDI also had a positive but insignificant impact, with a 1% increase resulting in a 2.676054% increase.

Ali and Hussain (2017) posited that Foreign Direct Investment (FDI) is a crucial factor in global economic integration. They conducted a study on Pakistan's economic growth from 1991-2015 using correlation and regression analysis techniques. The results showed FDI positively impacted Pakistan's economy, and they recommended the Pakistani government to boost its economy by increasing FDI attraction.

Aze (2019), found that foreign direct investment (FDI) inflows in Nigeria's manufacturing sector have minimal impact on the country's economic growth. FDI, which involves the transfer of money and financial and intangible assets, is crucial for economic development and growth. It can directly or indirectly affect GDP. The expected benefits of FDIs in host economies include poverty reduction and economic and social transformations. However, these benefits may vary depending on the political, social, economic, and technological situation, as well as the legal and regulatory framework on the ground.

2.4.2 The Effect of GFCF on the Economic Growth

Andy, et al. (2021), conducted a study on the impact of foreign direct investment (FDI) inflows on the economic growth of 30 global economies between 1998 and 2017. The analysis included variables such as domestic credit to private sector (DCPS), gross fixed capital formation (GFCF), inflation–consumer prices index (INFPC), trade openness (TOPNESS), and youth unemployment (UEMPYT). The results showed that FDI inflows, when complemented by appropriate macroeconomic conditions, significantly boosted economic growth. GFCF had a greater impact, while TOPNESS and UEMPYT had positive but not significant effects. INFPC and DCPS had negative effects. The study concluded that FDI inflows, when complemented by appropriate macroeconomic conditions, can enhance economic growth.

Muhia (2019), examined the impact of foreign direct investment (FDI) in Kenya's infrastructure, manufacturing, and agricultural sectors on economic growth. The results showed that infrastructure FDI significantly boosted economic growth, while manufacturing and agriculture FDI had positive effects, although insignificant. The agricultural sector, unlike manufacturing, had relatively small FDI inflows, potentially causing little impact. Advances technology and improves manufacturing practices when it invests in modern machinery, technology, and infrastructure. Economic growth results from GFCF as it raises competitiveness in both domestic and foreign markets, lowers manufacturing costs, and increases efficiency.

Sokang (2018), used the two-stage least squares method to evaluate the impact of

foreign direct investment (FDI) on Cambodia's economy. He found that FDI positively boosted Cambodia's growth through the transfer of modern technology, promotion of learning by doing, and labor training. Also, he argued that it's probable that the industries with the biggest influence on GDP growth in the near term aren't the ones receiving the majority of GFCF. For instance, it could take several years for infrastructure improvements like building new roads and bridges to boost economic output. He suggested that Cambodia should continue economic reforms to attract more FDI.

Mustafa (2019), examined the contribution of FDI and tourism receipts to GDP of Sri Lanka for the period 1978- 2016. Using Views 10 econometrics software, the author concluded that two variables including FDI and tourism receipts had positive and statistically significant effect on GDP of Sri Lanka in the long run. GFCF has consistently increased over the period. This suggests that businesses and the government have been making substantial investments in infrastructure, machinery, equipment, and other fixed capital assets.

Gibogwe et al. (2022), found a bi-causality between economic growth and foreign direct investment (FDI) net inflows in Tanzania from 1980-2020. Economic growth leads to FDI eventually, causing movements in FDI. Important industries like services, industry, and agriculture can all benefit from GFCF. Investments in road systems, industrial parks, and irrigation systems in Tanzania boost output and productivity in manufacturing and agriculture, two major drivers of the country's economy. Furthermore, better infrastructure helps Tanzania's tourism industry,

which contributes significantly to the country's GDP. The study recommends developing local productive capacity and providing incentives to foreign firms to encourage positive spillovers to other sectors, highlighting the importance of FDI in Tanzania's economic growth.

Mwitta (2022) utilized the Vector Error Correction Model (VECM) to examine the impact of foreign direct investment (FDI) on Tanzania's economic growth rate. The research, which analysed data from 1990 to 2020, found a significant positive correlation between FDI inflow to GDP and real GDP growth rate. However, it also revealed a negative association between real GDP growth rate and gross fixed capital creation to GDP ratio, possibly due to the state of public investment. The study suggests that Tanzania's government should continue improving policies related to exports, public investment, and FDI to promote equitable and sustainable economic growth.

2.4.3 The Effect of Trade Openness on the Economic Growth

Nantharath and Kang (2019), examined the impact of foreign direct investment (FDI), human capital, trade openness, and institutional quality on the economic growth of Lao People's Democratic Republic (Lao PRD) from 1993-2015. Results showed that FDI and trade openness positively impacted Lao PRD's economic growth, while human capital and institutional quality negatively affected it. The authors recommend promoting FDI, attracting better quality and sustainable FDI, and prioritizing regional and global economic competitiveness.

Çevik, et al. (2019), examined the impact of international trade on Turkey's economic growth. They emphasized the potential benefits of trade openness in areas like resource efficiency improvement, technology spillover effects, and learning-by-doing effects. The study found that trade openness positively impacted economic growth from 1950-2014, and vice versa, indicating that economic growth positively influences trade openness. Despite the GFCF increase, the global economic slowdowns caused by the COVID-19 pandemic, trade disruptions, policy uncertainty, and other major causes could be the reason for the decline in GDP growth during this period.

Janeth (2020) conducted an empirical analysis on the impact of Foreign Direct Investment (FDI) on Tanzania's economic growth, using data from World Investment Reports, IMF, World Bank, and Bank of Tanzania. The study found that FDI significantly contributes to Tanzania's economic growth, with an increase in FDI inflows resulting in a 0.396519 million USD increase in GDP, indicating that an increase in FDI inflows is crucial for economic growth. Also, it was noted that trade openness allows domestic producers to expand their access to bigger markets beyond their national boundaries. Therefore, it is most likely to create economies of scale in this way: the ability to rise through higher levels of production will lower the average cost and therefore raise overall productivity.

Marobhe (2015), studied the impact of Foreign Direct Investment (FDI) on Tanzania's economic growth from 1970-2014. The results showed that FDI positively impacted Tanzania's growth, providing technology, capital, and improved

labor skills. Openness to trade can make a country more attractive for foreign investors. FDI can bring not only capital but also management expertise and advanced technologies. As investment inflows, it may create jobs and increase the production capacity of an economy and, in return, be one of the means through which economic growth takes place. Marobhe recommended Tanzania's government to implement preferential policies like tax incentives, infrastructure improvements, political stability, and labor skill enhancement to attract FDI.

2.5 Research Gap

Although studies such as those by Sharma et al. (2020), and Muhammad et al. (2019), postulate that FDI can indeed have a positive effect on economic growth, evidence from sub-Saharan Africa, let alone Tanzania, remains mixed. Recent studies have not only failed to provide conclusive results regarding the long-term impact that FDI has, especially in the Tanzania's economy, however, Andy et al. (2020) and Mwita (2022) have not been able to provide evidence for this very thing. This therefore brings in the need for further investigation into what the specific role FDI may play in the economic growth perspective, especially in relation to Gross Fixed Capital Formation and trade openness, variables which, as Janeth (2020) remain poorly explored in Tanzania's context.

As a fact, FDI has been declining since 2013, and this has been exacerbated by the recent global shocks. In this light, reassessment of development strategy is needed for Tanzania. Most of the available studies have failed to consider the significant shifts in policy, investment patterns, and global economic disruptions that have taken

place in recent years. Therefore, the study tries to bridge these gaps by analyzing how FDI inflows have affected the economy's growth of Tanzania from 2015 to 2022, mainly focusing on the interaction of FDI with GFCF and trade openness.

This gap in existing literature calls for an in-depth investigation of how FDI inflows between 2015 and 2022 have interacted with these key economic factors. The decline in FDI, compounded by global shocks and domestic economic shifts, requires urgent attention to understand its impact on economic growth and the policy strategies needed to revitalize FDI and ensure sustainable economic recovery. Given the recent economic challenges and evolving global context, understanding the changing role of FDI is crucial for policy-makers seeking to enhance Tanzania's economic growth and resilience in the post-pandemic era.

2.6 Conceptual Framework

This model presents research variables and its relationship are translated into a visual picture to illustrate the interconnections between the independent and dependent variables. The independent variables include FDI inflows, Gross fixed capital formation inflows, and trade openness, while dependent variable is economic growth. See Figure 2.4.

Independent Variables   **Dependent Variables**
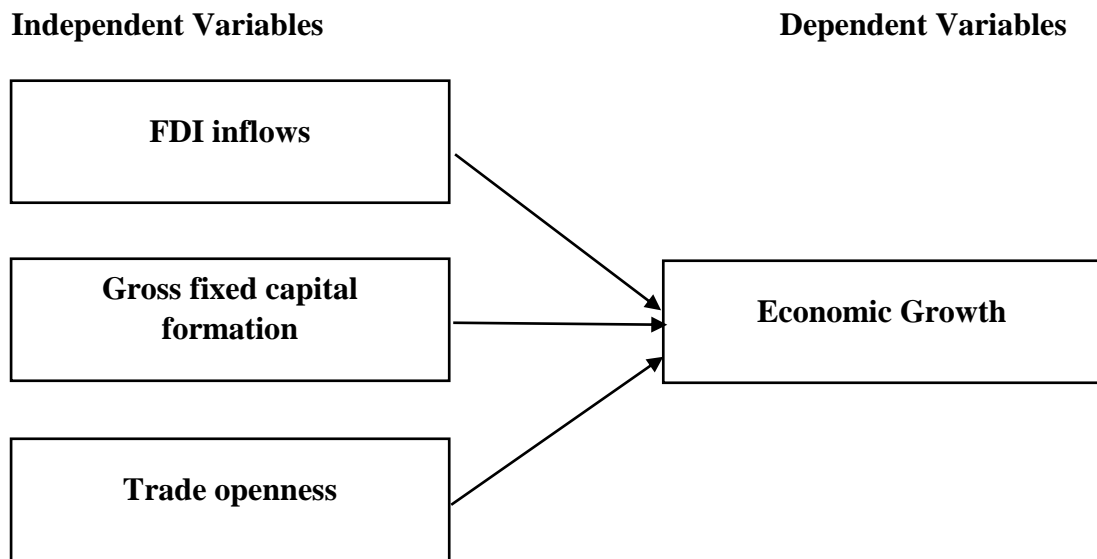
Figure 2.4 Conceptual Framework

Sources: Researcher (2023)

2.7 Operationalization of Variables

2.7.1 The Impact of Foreign Direct Investment Inflows on the Economic Growth

There is a positive relationship between FDI inflows and economic growth, which is statistically significant, which indicates that foreign direct investment has a substantial and beneficial impact on economic growth, whereby a unit increase in FDI inflows leads to a unit rise in GDP growth. This suggests that foreign investments bring capital, technology, and expertise that can spur economic activities, enhance productivity, and foster employment, all of which are crucial for economic growth. The presented results concur with the study by Sharma, et al. (2020), which revealed that investment is a key factor in GDP growth, as increased investment leads to higher employment and income levels. The study highlights the significant role of foreign investment in open economies, whether direct or indirect.

H₁: FDI inflows has a positive impact on the economic growth in Tanzania.

2.7.2 The Impact of Gross Fixed Capital Formation on the Economic Growth

There is a negative relationship between GFCF inflows and economic growth, which is a statistically significant. GFCF usually refers to investments in infrastructure, machinery, and equipment, which are typically expected to contribute positively to economic growth (Neusser, 1991). However, in this case, the negative coefficient suggests that increasing GFCF inflows is associated with a unit reduction in GDP growth. The negative impact may suggest inefficiencies in the use of capital or a mismatch between investments and productive sectors (Çevik et al., 2019). Investments in infrastructure and machinery might take time to translate into increased output, so the negative coefficient could reflect a short-term dip in economic growth as capital is invested but not yielding returns (Sokang, 2018). If there is overinvestment in unproductive sectors or misallocation of resources, GFCF inflows could have a diminishing return on economic growth.

H₂: Gross Fixed capital formation flow has a negative impact on the economic growth in Tanzania.

2.7.3 The Impact of Trade Openness on the Economic Growth

There is a positive relationship between trade openness and economic growth, but the effect is not statistically significant. A unit increase in trade openness leads to a unit rise in GDP growth. A more open trade regime might foster economic development by providing access to international markets, enhancing competition, and allowing for the importation of necessary goods, technologies, and services

(Janeth, 2020). However, the lack of statistical significance suggests that in the context of this model, trade openness does not play a crucial or decisive role in driving economic growth. If the domestic economy is not competitive enough or if local industries are not well-positioned to benefit from trade liberalization, the impact of trade openness may be limited (Janeth, 2020). Trade openness may interact with other factors (such as institutional quality, industrial capacity, or human capital) to drive growth, and those factors might not be fully captured in this model (Lema and Romanus, 2011).

$H_{3:}$ *Trade Opennes has a positive impact on the economic growth in Tanzania.*

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This chapter covers the methodology of the study which includes research philosophy, research approach, research design, study population, and sample size, sampling methods and techniques, types of data and data collection methods, as well data analysis techniques, and study ethical issues.

3.2 Research Philosophy

This study used the pragmatism philosophy to objectively collect and evaluate data on the impacts of foreign direct investment on Tanzania's economic growth. This philosophy supported both qualitative and quantitative methods, allowing for a comprehensive understanding of the topic. This study applied quantitative and qualitative tools in the data collection and analysis process. Research philosophy, as defined by Saunders, Lewis, and Thornhill (2019), is a viewpoint on how to collect, analyse, and interpret evidence regarding a topic.

3.3 Research Approach

This study utilized both qualitative and quantitative research approaches to collect data on the same subject. The qualitative approach provided qualitative information about respondents' views, while the quantitative approach used an empirical finding from previous studies and theories. This design helped gain a more comprehensive understanding of the relationship between variables and expand and strengthen the study.

3.4 Research Design

The study used a descriptive research design, as described by Yin (2003) and Saunders, et al. (2007), which focuses on characterizing the scenario under investigation. This design allowed for quantitative methodologies and enabled a theory-based design process, allowing study to generalize data and provide insights into the why and how of a study based on theory.

3.5 Population, Sample Size and Sampling Technique

3.5.1 Population

Assess how FDI, GFCF, and trade openness influence economic growth in Tanzania within 2015-2022. The nature of the primary data is qualitative and sourced from employees working at the BoT. In light of this, the BoT is a strategic choice because it is the chief contributor in formulating and implementing monetary policy and regulating financial institutions and investment flows in the country.

BoT employees are cognizant of economic trends and policies; hence, they may become a very good source to draw upon in order to understand the dynamics between FDI, GFCF, trade openness, and economic growth. Their insights provided a nuanced perspective on how these variables interact within the Tanzanian economic landscape. Additionally, the researcher acknowledged the presence of other institutions, which could be relevant to this study, rather than only limited to BOT, but the BOT was used due its accessibility. It is only institution that was willing to provide cooperation during the data collection.

The period is pertinent since it covers a relatively large period of economic transition characterized by increased levels of FDI inflow, infrastructural development, and policy reforms in Tanzania that aim at promoting trade and investment. Addition, it would allow for in-depth analysis of the macroeconomic metrics, as it covers the pre-pandemic condition and the subsequent economic repercussions of the COVID-19 pandemic. Data analysis for this period was, therefore, provided a sound judgment on how external and internal factors could affect the direction of economic growth taken by Tanzania, thus providing an overall grasp of the relationships among the variables under study.

3.5.2 Sample size

According to Cresswell (1998), for the study which the major research design is not qualitative, it is recommended that 15-30 respondents for interviews. Hence, the study used 15 respondents familiar with foreign direct investment from the Bank of Tanzania for qualitative data. For quantitative data, the study used a census of annual reports from the World Bank for the period between 2015 and 2022, as the study covered only 8 periods as a target population for the quantitative analysis. Krishna and Kumar (2013) suggest that conducting a census results in 0% sampling errors, as small populations do not require sampling.

3.5.3 Sampling Technique

In this study, judgmental sampling was used as a method of purposeful sampling in the selection of 15 interviewees. The approach has been selected because one can deliberately choose cases with specific characteristics or levels of experience

relevant to the focus of the research study with this approach. Therefore, the pre-selected participants in this case are employees of the Bank of Tanzania, who would be well-placed to provide an insight into how FDI, GFCF, and trade openness have impacted economic growth.

This sampling method is very cost-effective and time-effective since the study is able to address an already targeted population. The target population, in this case, becomes those who meet certain criteria-for instance, knowledge of macroeconomic indicators and personal experience with FDI and trade policies-ensuring that the information extracted is relevant and of great value. Relevance is necessary to make sure that thick descriptions are obtained together with the insight that was useful in the study.

Besides this, the purposive approach offers the flexibility to choose respondents who, besides having knowledge, would also be willing to share their views. The willingness itself could enhance the quality of data gathered since such participation would turn out to be more contemplative and fuller of subtlety to enrich the dataset. Therefore, this approach suits the nature of the study, which is qualitative in approach, so that findings can be holistic and representative of insights derived from the targeted population.

3.5.4 Types of Data and Data Collection Methods

The study used both primary and secondary data, with a structured interview method for primary data collection. This method allowed respondents to provide their views

and direct explanations, allowing for flexibility and discussions. Each responder had 5-10 minutes of time to answer pre-selected questions, involving face-to-face interaction with the researcher. This approach allowed for a comprehensive understanding of the respondents' perspectives.

The World Bank report was used to compile secondary data for this study from 2015 to 2022. Secondary data is information extracted from primary sources and made publicly available for researchers. It saves time and money by being readily available and previously obtained. It also allows for constructive building on background and literature research, meeting the study's objectives. Secondary data is essential as it provides documented information, making it impossible for researchers to ignore it and saving time and resources compared to directly gathering data. The study used secondary data because it is already documented and easily accessible, making it impossible for researchers to ignore it.

3.6 Variables of the Study and Measurements

Both independent and dependent variables were served as the study's compass. As shown in Table 3.1 with related measurements, the economic growth is the dependent variable and the independent variables are FDI inflows, Gross fixed capital formation, and trade openness.

Table 3.1 Variable and Measurements

Variable	Measurement
FDI inflows	FDI inflows –GDP ratio
Gross fixed capital formation	Gross fixed capital formation –GDP ratio
Trade Openness	Imports to GDP ratio
Economic growth	Annual growth rate of real GDP

Source: Researcher (2023)

3.7 Data Analysis and Regression Diagnostics

3.7.1 Data Analysis Techniques

Data analysis is a statistical method used to determine meaning in qualitative data. Yin (2009) explanation building process technique is used to organize, review, categorize, and re-code collected data to formulate and explain themes. A thematic analysis technique was used by the study to analyze qualitative data. This analysis technique allowed for the exploration of various themes, ideas, and perspectives within the data, enabling a comprehensive understanding of the participants' experiences and opinions, and motivations were employed to analyze data on the effect of FDI on the economic growth.

The qualitative data were analyzed using thematic analysis, which involved identifying themes within the data gathered from interviews. The study interpreted the meaning in the dataset and write a report presenting the findings of the thematic analysis. The report included a description of the research process, the identified themes, illustrative quotes or excerpts from the data, and an interpretation of what the themes mean about the research questions on the effect of FDI inflows, GFCF, and trade openness on the economic growth.

The study used inferential statistics, specifically multiple regression analysis, to analyse quantitative data. Excel was used for its ease of use. The study used multiple regression analysis to link independent (FDI inflows, GFCF Flows, and Trade openness) and dependent variables (Economic growth). The data was organized into tables for easy examination. A multiple regression model was applied to determine the relative weight of each explanatory variable related to economic growth.

$GDPt = \beta_0 + \beta_1 FDIt + \beta_2 CAPt + \beta_3 OPENt_+ \epsilon t$

Where;

GDP= Economic growth

FDI = Foreign Direct Investment

CAP = Gross Fixed Capital Formation

OPEN= Trade Openness

β_0 = Co-efficient (Intercept) of the model

$\beta_1 - \beta_3$ = Beta Coefficients

t = time series dimension

ϵ = Error Term

3.7.2 Regression Diagnostics

The study tested the assumptions for multiple regression analysis using time series data. These include nominal and outlier tests to confirm data normality and the presence of outliers. Skewness and kurtosis values must be less than 3 and 10, respectively, to avoid outlier issues. Multicollinearity is tested using variance inflation (VIF) factors, with a VIF less than 10 to ensure the model is fit for the study and not violate the assumption of multicollinearity.

The study tested heteroskedasticity and autocorrelation in multiple regression. Heteroskedasticity is a condition where the variance of residuals is unequal over a range of measured values. If heteroskedasticity exists, the population used in the regression had unequal variance, resulting in a cone-shaped residual value. If it doesn't exist, the analysis results may be invalid. Autocorrelation checks the degree of correlation between the same variables between two successive time intervals. The acceptable autocorrelation value is below 2.0 for positive and above 2.0 for negative autocorrelation. Both tests are crucial for valid regression results.

3.8 Ethical Consideration

Rudd et al. (2006) emphasize the importance of research ethics, which involves ensuring a researcher's actions are morally sound and respect the rights of the people being studied. This involves gathering data from various sources, verifying it, and ensuring ethical practices are upheld by not tampering with the data. A neutral data analysis professional audited the inventiveness of the computation. Furthermore, the researcher received the permission for data collection from Open University of Tanzania and submitted it to the selected organization (BOT), for the data collection, as well as ensure the confidentiality of that information.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF THE STUDY FINDINGS

4.1 Overview

This chapter presents the findings of the study about the impacts of foreign direct investment on the economic growth in Tanzania for the period between 2015 and 2022. The chapter also includes the discussion of the findings which were analyzed by using multiple regression analysis.

4.2 Multiple Regression Analysis

This section of the study presents the regression analysis. A discussion of the research's conclusions follows this. The following regression analysis was done to analyse the link between factors as independent variables, such as foreign direct investment inflows, gross fixed capital formation, and trade openness, and dependent variable, economic growth, from 2015 to 2022;

4.2.1 Regression Diagnostics

The study tested five assumptions of multiple regression analysis. These include normality and outliers, multicollinearity heteroskedasticity test, and autocorrelation as presented below: -

The study used examination of skewness and kurtosis values to confirm data normality and the presence of outliers, which is one of the requirements of multiple regressions. According to Kline (2015), skewness and kurtosis values less than 3 and 10, respectively, indicated the absence of an outlier issue (Table 4.1).

Table 4.1 Normality and Outlier

	GDP growth rate	FDI Inflows	GFCF Inflows	Trade openness
Kurtosis	1.100528248	2.45668715	-0.520592345	-0.189893332
Skewness	-1.023457525	0.013125736	-0.938996289	-0.762417741
Valid N	8	8	8	8

Source: Researcher (2024)

The results (Table 4.2) show that all variables had a normal distribution, allowing us to assume that this was true. Factors such as FDI inflows, GFCF, trade openness and the economic growth (GDP growth rate) had skewness values of less than 3 and kurtosis values of less than 10, meeting the required criteria.

Furthermore, the study before running the multiple regression, check the multicollinearity problem (Table 4.3). The objective of the multicollinearity test, according to Pallant (2013), is to make sure that the independent variables are only weakly connected to one another (r 0.90). In this work, the multicollinearity issue was tested using variance inflation (VIF) factors. The VIF must not be greater than 10 in order to be within the allowed range and not violate the assumption of multicollinearity.

Table 4.2 Multicollinearity

Variables	VIF
FDI Inflows	1.223
GFCF Inflows	1.593
Trade openness	1.830

a. Dependent Variable: Economic growth (GDP growth rate)

Source: Researcher (2024)

Given that (Table 4.2), all variables had VIF values less than 10, which indicate that there is no multicollinearity issue for each variable, it was fair to assume that this condition was satisfied.

Moreover, the study also conducted a heteroskedasticity test as one of the assumptions of the multiple regression to measure a situation where the variance of the residuals is unequal over a range of measured values. If heteroskedasticity exists the population used in the regression contains unequal variance, and the analysis results may be invalid, but based on Figure 4.1, the results show that heteroskedasticity does not exist which assumes that the results of the regression were valid.

Figure 4.1 Heteroskedastic Test
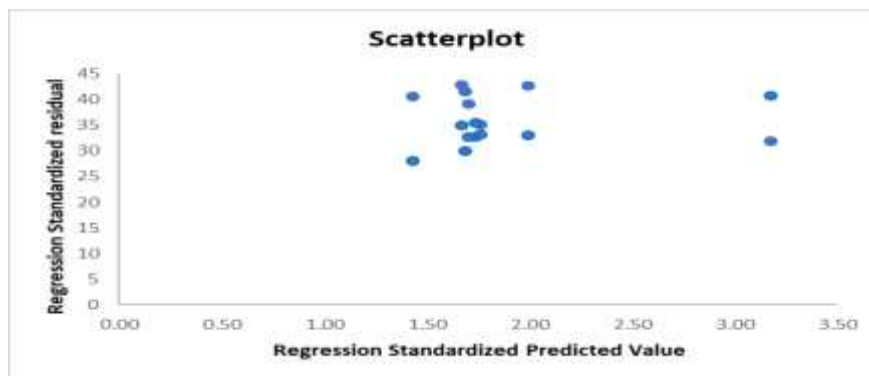
Source: Researcher (2024)

4.2.2 Summary Output

This part presents the summary output of the regression statistics which demonstrates the relationship between independent variables and the dependent variable, as well as well as autocorrelation (Durbin-Watson). (Table 4.3).

Table 4.3 Summary Output

Regression Statistics	
Multiple R	0.761
R Square	0.579
Adjusted R Square	0.264
Standard Error	1.375
Durbin-Watson	0.719
Observations	8

Source: Researcher (2024)

The results (Table 4.3) from this study's analysis show that the regression coefficient, or R, had a value of 0.761, or 76.1%, indicating that the variables under examination had a statistically association. The results show that the three independent variables account for 57.9% of the variation in the impact of economic growth, with an R square value of 0.579. This shows that the economic growth of Tanzania is influenced by changes in the rate of FDI inflows, GFCF, and trade openness. Durbin-Watson is 0.719, which imply that there is small positive autocorrelation due to low Durbin-Watson than 2.

4.2.3 Analysis of Variance (ANOVA)

From the findings (Table 4.4), it shows that the model has less than 5% level of significance, the numerator df= 3 and denominator df= 4, it indicates that the computed F value was 1.836.

Table 4.4 ANOVA

	Df	SS	MS	F	Significance F
Regression	3	10.412	3.471	1.836	0.014
Residual	4	7.563	1.891		
Total	7	17.976			

Source: Researcher (2024)

The regression model is therefore statistically significant (Table 4.4). This demonstrates that the model can accurately forecast the variables affecting Tanzania's economic growth. This (0.05) is supported by the study's findings, which have a P-value of 0% (0.000), which is less than 5%.

4.2.4 Regression Coefficient

The regression coefficient (Table 4.5) displays the estimated coefficients represented by the b-value value, which indicates the degree to which the "Scores" vary as a result of fluctuation in any independent variable while maintaining other independent variables constant.

Table 4.5 Regression Coefficient

Variable	Coefficients	Standard Error	t Stat	P-value
Constant	0.327	11.031	0.030	0.609
FDI Inflows	5.920	1.475	4.012	0.028
GFCF Inflows	-0.119	0.153	-0.775	0.030
Trade openness	0.364	0.266	1.366	0.168

a. Dependent variable: Economic Growth (GDP growth rate)

Source: Researcher (2024)

From the findings (Table 4.5), at constant, the coefficient is 0.327, and the P-value is 0.609, which represents the expected GDP growth rate is 32.7% when all independent variables (FDI inflows, GFCF inflows, and trade openness) are zero, which is not statistically significant (since it's greater than 0.05). This result implies the constant is not significantly different from zero.

From the Findings (Table 4.5), the coefficient for FDI inflows (5.920) indicating a positive relationship between FDI inflows and economic growth, which is statistically significant (P = 0.028) in this model. This result indicates that foreign direct investment has a substantial and beneficial impact on economic growth. A unit increase in FDI inflows leads to a 5.92-unit rise in GDP growth. This result suggests that foreign investments bring capital, technology, and expertise that can spur economic activities, enhance productivity, and foster employment, all of which are crucial for economic growth. The presented results concur with the study by Sharma, et al. (2020), which revealed that investment is a key factor in GDP growth, as increased investment leads to higher employment and income levels. The study highlights the significant role of foreign investment in open economies, whether direct or indirect.

From the findings (Table 4.5), the coefficient for GFCF inflows (-0.119) implying a negative relationship between GFCF inflows and economic growth, which is a statistically significant (P = 0.030) in this model. GFCF usually refers to investments in infrastructure, machinery, and equipment, which are typically expected to contribute positively to economic growth (Neusser, 1991). However, in this case, the

negative coefficient suggests that increasing GFCF inflows is associated with a -0.119-unit reduction in GDP growth. The negative impact may suggest inefficiencies in the use of capital or a mismatch between investments and productive sectors (Çevik et al., 2019). Investments in infrastructure and machinery might take time to translate into increased output, so the negative coefficient could reflect a short-term dip in economic growth as capital is invested but not yielding returns (Sokang, 2018). If there is overinvestment in unproductive sectors or misallocation of resources, GFCF inflows could have a diminishing return on economic growth.

According to the findings (Table 4.5), the coefficient for trade openness is 0.364, suggesting a positive relationship between trade openness and economic growth, but the P-value (0.168) indicates that this effect is not statistically significant in this model. A unit increase in trade openness leads to a 0.364-unit rise in GDP growth. A more open trade regime might foster economic development by providing access to international markets, enhancing competition, and allowing for the importation of necessary goods, technologies, and services. However, the lack of statistical significance suggests that in the context of this specific model, trade openness does not play a crucial or decisive role in driving economic growth. If the domestic economy is not competitive enough or if local industries are not well-positioned to benefit from trade liberalization, the impact of trade openness may be limited (Janeth, 2020). Trade openness may interact with other factors (such as institutional quality, industrial capacity, or human capital) to drive growth, and those factors might not be fully captured in this model (Lema and Romanus, 2011).

Overall, the model shows mixed results, with FDI inflows having a significant positive effect on economic growth, while GFCF inflows have a negative effect. The insignificance of trade openness suggests that, at least in this context, other variables may have more immediate or measurable effects on economic performance. This analysis suggests that foreign direct investment is a key driver of growth, while the negative relationship with capital formation might point to inefficiencies or short-term challenges in how investments are utilized. The potential benefits of trade openness may not be fully realized without addressing underlying structural or competitive issues within the economy.

From the interviews with employees from BoT also, it was noted that,

…. According to one of the interviewees, foreign direct investment (FDI) offers extra funding for investments in infrastructure, businesses, and services, all of which can boost economic activity and growth in our nation. Investments also frequently result in the creation of new jobs, which lowers unemployment and raises household incomes, all of which can support domestic demand and economic growth…. (Key informants 1, 2024).

Another interviewee during the interview noted that,

…. If foreign firms are producing items for worldwide markets, they can increase exports and contribute to a positive trade balance by bringing modern technologies and management experience to local businesses. An additional source of economic diversification might come from foreign investments that support the growth of regional supply chains and related sectors…. (Key informants 2, 2024).

In the interview also, it was noted that the respondents argued that,

…. However, FDI's effects aren't always favorable. Potential competition from nearby companies, profit repatriation, and potential social or environmental issues are among the difficulties. Maximizing benefits and minimizing potential negatives require effective policy frameworks…. (Key informants 3, 2024).

The presented results in the interview are similar to the study by Marobhe (2015), which noted that FDI positively impacted Tanzania's growth, providing technology, capital, and improved labour skills. Marobhe then recommended Tanzania's government implement preferential policies like tax incentives, infrastructure improvements, political stability, and labour skill enhancement to attract FDI.

Correspondingly the study by Gibogwe et al. (2022), revealed that developing local productive capacity and providing incentives to foreign firms to encourage positive spillovers to other sectors highlight the importance of FDI in Tanzania's economic growth. Similarly, the study by Aze (2019) also found that FDI involves the transfer of money and financial and intangible assets, which is crucial for economic development and growth by increasing poverty reduction and economic and social transformations. However, these benefits may vary depending on the political, social, economic, and technological situation, as well as the legal and regulatory framework on the ground.

The presented results also are supported by endogenous growth theory which state that foreign direct investment (FDI) inflows are critical as they contribute to the accumulation of physical and human capital, which in turn stimulates economic growth. According to recent literature, FDI plays a vital role in technology transfer and the adoption of new management practices, which enhance productivity and innovation in host economies (Asiedu, 2020). FDI also provides access to global markets, facilitating the integration of developing economies into the global value chains, thus driving economic growth (Chakraborty & Nunnenkamp, 2017).

From the interviews with employees from BoT also, it was noted that,

> …. One of the interviewees said that t*he productive potential of an economy is raised by investments in machinery, infrastructure, and other fixed assets. Better highways, ports, energy facilities, and industrial plants could result from this in Tanzania. Since these industries flourish, productivity gains in manufacturing, services, and agriculture are aided, which propels economic expansion collectively....* (Key informants 4, 2024).

Another respondent in the interview claimed that,

> …. *GFCF initiatives, particularly in infrastructure and construction, generate jobs indirectly (via increased demand for materials and services) as well as directly (in building and operation). Higher employment follows, and as a result, household earnings and consumption rise, further promoting economic expansion*…. (Key informants 5, 2024)

During the interview, one of the interviewees argued that,

> .... *Gross Fixed Capital Formation (GFCF) is a key factor in Tanzania's economic growth since it boosts employment, productivity, and technical advancement. However, complementing elements, including excellent governance, the development of human capital, and maintaining sustainable debt levels, determine how effective GFCF is in promoting growth*…. (Key informants 6, 2024)

The presented results in the interview are similar to the study by Muhia (2019), which noted that advances technology and improves manufacturing practices when it invests in modern machinery, technology, and infrastructure. Economic growth results from GFCF as it raises competitiveness in both domestic and foreign markets, lowers manufacturing costs, and increases efficiency. Similarly, the study by Gibogwe et al. (2022), found that important industries like services, industry, and agriculture can all benefit from GFCF. Investments in road systems, industrial parks, and irrigation systems in Tanzania boost output and productivity in manufacturing and agriculture, two major drivers of the country's economy. Furthermore, better

infrastructure helps Tanzania's tourism industry, which contributes significantly to the country's GDP.

The presented results are also supported by endogenous growth theory which suggests that gross fixed capital formation (GFCF) is another key variable, representing the total amount invested in physical assets like machinery, infrastructure, and buildings. Studies show that higher levels of GFCF have a direct relationship with economic growth, as investments in physical capital lead to improved productivity and infrastructure development, fostering sustainable growth (Kinda, 2021). Investment in infrastructure, particularly in transportation and communication, also enhances the efficiency of other sectors, which is essential for economic expansion (Muriithi & Moyi, 2021).

From the interviews with employees from BoT also, it was noted that,

> …. *One of the interviewees said that Tanzania can reach bigger foreign markets for its agricultural and mineral exports because to trade openness. For example, one of Tanzania's main exports is gold, and the country's ability to meet global demand for the commodity has increased earnings. The nation can produce foreign exchange through exporting, which is vital for acquiring imports of goods like technology and machinery required for home development….* (Key informants 7, 2024)

Another respondent in the interview claimed that,

> …. *Trade exposure to global markets can result in the transfer of technology and know-how from developed to developing nations. This raises productivity in important industries including mining, manufacturing, and agriculture. Due to its trade liberalisation, Tanzania has profited from foreign direct investment (FDI). New business methods and technologies brought about by FDI frequently boost regional economies and increase productivity….* (Key informants 8, 2024)

During the interview, it was noted that one of the interviewees argues that,

> *…. Tanzania's economic growth has typically benefited from trade openness since it facilitates technology transfer, expands access to international markets, and promotes economic diversity. Nonetheless, the nation must contend with issues including trade deficits, foreign market rivalry, and weaknesses on the outside….* (Key informants 9, 2024)

However, the interviewees added that,

> *…. Tanzania must adopt policies that boost domestic businesses, enhance infrastructure, and control trade imbalances if it wants to continue reaping the benefits of trade openness. Furthermore, shifting away from the export of raw materials and towards products with more value added may help reduce some of the risks related to trade openness while fostering long-term, sustainable growth….* (Key informants 10, 2024).

The presented results in the interview are similar to the study by Yousaf, et al. (2016), noted that building highways, railroads, and ports is essential to increasing South Asia's trading potential. South Asia is now more competitive in trade as a result of, for example, the upgrade of the port in Korea, which has decreased delays and improved Korea's capacity to manage higher trade volumes. Similarly, the study by Afolabi, et al. (2017), found that Nigeria must increase its human capital through education and skill development if it is to fully benefit from trade openness. A workforce with higher levels of education can draw in more valuable foreign investments and increase productivity, both of which are necessary for long-term economic success.

The presented results also are supported by endogenous growth theory which suggests that Trade openness, which refers to the extent of a country's integration

into global markets, fosters economic growth by allowing access to international goods, services, and capital. Recent research highlights that greater trade openness drives innovation and competition, as economies become exposed to a broader range of technologies and business practices (Tang & Selvanathan, 2018). Furthermore, trade openness promotes efficient resource allocation and enhances productivity through the increased flow of capital, labor, and technology (Banga & Das, 2020). Therefore, these variables FDI, GFCF, and trade openness are interconnected and crucial for driving economic growth through their effects on technological progress, productivity, and global integration.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Overview

This chapter presents the summary of the findings, conclusion, and recommendations in relation to the impact of foreign direct investment on the economic growth particularly foreign direct investment inflows, gross fixed capital formation, and trade openness.

5.2 Summary of the Study

The study focused on assessing the impact of foreign direct investment on economic growth in Tanzania. Specifically, it looked at the impact of foreign direct investment inflows, gross fixed capital formation, and trade openness on the economic growth in Tanzania. The study employed a descriptive research design utilizing a mixed research approach, including both qualitative and quantitative methods. Data collection methods included secondary source including annual data from the World Bank, and interviews from BOT, and the collected data were analyzed using multiple regression for quantitative data, and content analysis for qualitative data. The results show that the coefficient is 0.327, and the P-value is 0.609, which represents the expected GDP growth rate is 32.7% when all independent variables (FDI inflows, GFCF inflows, and trade openness) are zero, which is not statistically significant (since it's greater than 0.05). This result implies the constant is not significantly different from zero. Regarding specific objectives, findings of the study were as follow;

5.2.1 The Impact of Foreign Direct Investment Inflows on the Economic Growth

On the first objective, the study revealed that the coefficient for FDI inflows (5.920) indicates a positive relationship between FDI inflows and economic growth, which is statistically significant (P = 0.028) in this model. This result indicates that foreign direct investment has a substantial and beneficial impact on economic growth. A unit increase in FDI inflows leads to a 5.92-unit rise in GDP growth.

5.2.2   The Impact of Gross Fixed Capital Formation on the Economic Growth

On the second objective, the study found that the coefficient for GFCF inflows was -0.119, implying a negative relationship between GFCF inflows and economic growth, which is statistically significant (P = 0.030) in this model. A unit increase in GFCF inflows is associated with a -0.119-unit reduction in GDP growth.

5.2.3 The Impact of Trade Openness on the Economic Growth

On the third objective, the study noted that the coefficient for trade openness is 0.364, suggesting a positive relationship between trade openness and economic growth, but the P-value (0.168) indicates that this effect is not statistically significant in this model. A unit increase in trade openness leads to a 0.364-unit rise in GDP growth.

5.3 Conclusions

The study concludes that the expected GDP growth rate is 32.7% (coefficient is 0.327) when all independent variables (FDI inflows, GFCF inflows, and trade

openness) are zero, which is not statistically significant (since it's greater than 0.05), implying that the constant is not significantly different from zero. Overall, the model shows mixed results, with FDI inflows having a significant positive effect on economic growth, while GFCF inflows have a negative effect. The insignificance of trade openness suggests that, at least in this context, other variables may have more immediate or measurable effects on economic performance. This analysis suggests that foreign direct investment is a key driver of growth, while the negative relationship with capital formation might point to inefficiencies or short-term challenges in how investments are utilized. The potential benefits of trade openness may not be fully realized without addressing underlying structural or competitive issues within the economy.

5.4 Implications of the Study

To capitalize on the beneficial benefits of FDI on the economy, policymakers should keep attracting FDI by fostering a favorable business climate, providing incentives to foreign investors, and guaranteeing political and economic stability.

For the purpose of ensuring that capital investments are in line with long-term economic objectives and productivity gains, policymakers should closely monitor the allocation of capital. It may be necessary to implement structural changes to guarantee that capital formation is used effectively.

While trade openness typically encourages economic integration and growth, to optimize the benefits, it may be necessary to implement complementing policies including industrial policy, human capital development initiatives, and infrastructural

improvements. To make sure that the nation can take full advantage of its trade possibilities, policymakers should concentrate on bolstering these sectors.

5.5 Recommendations of the Study

The government, Ministry of Industry and Trade, and Investment must collaborate in order to implement policies that maximize the benefits of FDI inflows by drawing capital into high-growth and productive industries; increase the effectiveness of capital formation to prevent misallocations and guarantee that investments provide long-term financial returns; and prioritize promoting trade openness by encouraging competitive industries and developing the infrastructure and human capital required to capitalize on international trade. With the support of these recommendations, the nation will be able to optimize the advantages of and FDI inflows, GFCF inflows, and trade openness for long-term, sustainable economic growth.

5.5.1 Attracting and Managing FDI inflows

Given the positive impact of FDI, policymakers should continue to create a favorable environment for foreign investors, ensuring that investments are directed toward productive sectors of the economy.

5.5.2 Improving Capital Utilization

Efforts should be made by government to enhance the efficiency of GFCF inflows, ensuring that investments are strategically placed in sectors that will yield long-term productivity gains. Reducing inefficiencies in capital allocation is crucial to avoid the negative growth effects observed in this study.

5.5.3 Maximizing the Benefit of Trade Openness

Although trade openness does not appear to have a significant impact in this study it remains an important policy tool. Enhancing competitiveness, investing in infrastructure, and strengthening institutions may enable the economy to reap the benefits of greater trade integration in the future.

5.6 Area for the Future Studies

Future studies ought to focus more intently on the particular variables that either strengthen or weaken the role that FDI, GFCF, and trade openness play in promoting economic growth. More insightful information about quality, efficiency, innovation, and governance will be available to help stakeholders and policymakers, including the government, ministry of industry and trade, and investment, etc. promote sustainable economic growth.

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APPENDICES

Appendix I: Interview Guide

THE IMPACT OF FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH FOR THE PERIOD OF 2015-2022

Dear respondent

My name is Flora Sima Kyemi, I undertake a Master's Degree of Arts in International Cooperation and Development, Department of Public Administration, Political Science, History and Philosophy of the Open University of Tanzania. Kindly spare some of your valuable time and respond to the following questions/statements as genuinely as possible. The information provided is purely for research purpose and will be treated with utmost confidentiality.

  i   What is effect of foreign direct investment inflows on the economic growth in Tanzania?

  ii   What is effect of gross fixed capital formation on the economic growth in Tanzania?

  iii   What is effect of trade openness on the economic growth in Tanzania?

  iv   What should be done to encourage foreign direct investment in our country to enjoy its impact on economic growth?

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

THE OPEN UNIVERSITY OF TANZANIA

Ref. No OUT//PG202186554

16ᵗʰ August, 2024

Director of Economic Policy,

Bank of Tanzania (BOT),

P.O Box 2939,

DAR ES SALAAM.

BANK OF TANZANIA
RECEIVED
– 5 AUG 2024
Directorate of Economic Policy

Dear Manager,

RE: RESEARCH CLEARANCE FOR MS. FLORA SIMA KYEMI REG NO: PG202186554

2.   The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1ˢᵗ March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1ˢᵗ January 2007. In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

3.   To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Ms. Flora Sima Kyemi**, Reg.No: PG202186554), pursuing **Masters in International Cooperation and Development (MAICD)**. We here by grant this clearance to conduct a research titled

13467/06/09/2024/013

"Analysis of the Impact of Foreign Direct Investment on the Economic Growth in Tanzania". She will collect her data at your office from 19th August 2024 to 30th October 2024.

4.   In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam. Tel: 022-2-2668820.We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,
THE OPEN UNIVERSITY OF TANZANIA

Prof.Gwahula Raphael Kimamala

For: VICE CHANCELLOR

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

THE OPEN UNIVERSITY OF TANZANIA

Ref. No OUT//**PG202186554**   16th August, 2024

Human Resource Manager,
Bank of Tanzania (BOT),
P.O Box 2939,
DAR ES SALAAM.

Dear Manager,

RE: RESEARCH CLEARANCE FOR MS. FLORA SIMA KYEMI REG NO: PG202186554

2.   The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1stMarch 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1stJanuary 2007.In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

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"**Analysis of the Impact of Foreign Direct Investment on the Economic Growth in Tanzania**". She will collect her data at your office from 19th August 2024 to 30th October 2024.

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Yours sincerely,
THE OPEN UNIVERSITY OF TANZANIA

Prof.Gwahula Raphael Kimamala

For: VICE CHANCELLOR