

ABSTRACT

Foreign direct investment (FDI) has grown in significance for emerging countries in recent decades. Many developing countries see FDI as a source of acquiring funds to augment the domestic market, enhancing foreign exchange reserves and expanding domestic savings; hence it provides incentives to attract it. The study utilized time series data from the World Bank for export, foreign direct investment and export from 2005 to 2017. The study employed OLS multiple regression analysis for the variables to investigate the relationship. The general objective of the study was to examine the relationships between foreign direct investment and export in the Tanzania economy. The findings show that there is a positive and significant relationship between FDI and export in Tanzania. Concerning the model stability testing, the researcher estimated the recursive cumulative sum chart so as to investigate whether the parameters in the regression model were stable over time or not. The results showed that the parameters in the regression model were stable over time. These findings validated the non-existence of inconsistent parameters in the econometric model. The policy formulators should take proper ways to attract foreign direct investment since it has a significant positive effect on export performance. In the light of this study, it is therefore recommended that; Government is advised to promote export-oriented FDI inflows which can also be used to expand productive capacity, lower production costs as well as achieving economies of scale, secondly, the government should enhance and develop investment environment which may strengthen position for the attraction of FDI inflows, furthermore, promotional as well as advertising and marketing measures to present benefits and incentives for investment in Tanzania, and develop investment promotional policies to increase competitiveness in attracting foreign direct investment in the country.

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