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Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia

By

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Statement of Declaration

I, Kutiyo Gutema declare this thesis entitled: Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia and submitted in partial fulfillment of the requirements for the Degree of Master of Science in International Business.

This study work is my own efforts output and all sources of materials used for the study have been properly acknowledged. I have produced it independently with only guidance and suggestion of the thesis Advisor. The study complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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This postgraduate thesis entitled “Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia” and required to submit as part of the Master's Degree in International Business act under the University's regulations and meets the recognized values in terms of authenticity and reliability.

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ACRONYMS

FDI-Foreign Direct Investments

FDIPIS-Foreign Direct Investment under Pre-Implementation stage

FDIIS-Foreign Direct Investment under Implementation stage

FDIOS-Foreign Direct Investment under Operational stage

FDIC-Foreign Direct Investment permits cancellation

EIC-Ethiopian Investment Commission

OECD-Organization for Economic Co-operation and Development

UNCTAD-United Nations Conference on Trade and Development

ABSTRACT

This study tries to assess Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia. The study used annual data of New FDI inflows and FDI entry performances firms at establishment periods and data employed for the variables are from period of 2011 to 2020. To analysis the Data, study used descriptive statistics. The study employed five variables including dependent variable of new FDI entry performance and four independent variables such as FDI under pre-implementation stage, FDI under implementation stage, FDI under operational stage and FDI permits cancelled. The study concludes that from the employed independent variables; highest mean registered by Foreign direct investment entries under pre-implementation stage by Birr 27.12billion and followed by Foreign direct investment entry permits cancelled Birr 12.4billion and highest standard deviation was registered by Foreign direct investment entries under pre-implementation stage by Birr 30.27billion and followed by Foreign direct investment entry permits cancelled Birr 15.56billion respectively. In the light of this, critical improvements are required in the areas of investment statuses, particularly FDI implementation, operational stage and FDI permits cancellations. The result of this paper demands policy intervention of government to make new FDI firms achievements in reaching operational and production stages in order to improve entering FDI firms' performances and contribute for economic growth of the country.

Keywords: FDI, FDI entry performances, Pre-implementation and implementation stage, operational stage FDI permit cancellation.

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the study

Bodie et al (2014) defined that an investment is the current commitment of money or other non-money resources with the expectation of gaining prospect benefits. According to the OECD (2012) indicated that a foreign direct investment firm is a firm resident in one country and an investor resident in another country and holds 10% or more of the firm's voting power or share from total capital either directly or indirectly. According to Wikipedia; Foreign market entries are the ways in which a company can expand its business services into oversea markets. According to the MBA Knowledge Base website; the dynamic business environment for the internal and external atmospheres have more impacts on firms to expand their operations across country borders.

According to the Global Investment Competitiveness Report (2020) which stated that even before the COVID-19 outbreak, global foreign direct investment (FDI) was in decline due to trade policy uncertainty, rising protectionism, falling rates of return on FDI and unprecedented source of investor risk that is depressing business confidence to historic lows. Global Investment Competitiveness Report (2020) has projected global FDI fall by more than 40 percent in 2020.

According to the many multinational organizations reports (World Bank and IMF, among them) and scholars, Ethiopia is one of the fastest growing economies in the world; therefore, the growth of Ethiopian economy is the contribution of different sectors; of which Foreign direct investment is counted one of the strong contributor of economic growth. While according to UNCTAD's World Investment Report (2020), Ethiopia remained the largest recipient of FDI in East Africa, with investments in petroleum refining, mineral extraction, real estate, manufacturing and renewable energy but FDI inflows to Ethiopia decreased to USD 2.5 billion in 2019, compared to USD 3.3 billion in 2018 (-24%) while FDI has been negatively impacted by instability in some parts of the nation, including regions with in which industrial parks exist. As per UNCTAD's World Investment Report (2020), China was the largest investor in 2019 by contributing 60% of newly approved FDI projects of the year 2019, with substantial investment in manufacturing and services. According to the World Bank's Doing Business Report (2020) which was indicating that Ethiopia has been ranked 159th worldwide, for the ease of doing

business due to the number of obstacles to foreign investment, namely the high interference of the State in the economy, poor infrastructure, difficulties related to land acquisition, strict foreign exchange controls, very high transaction costs and weakness of institutions on enforcing rules and policies.

Entry mode is the manner in which a firm chooses to enter a foreign market through FDI. Entry mode include international franchising, branches, contractual alliances, equity joint ventures, and wholly foreign owned subsidiaries and the choice of entry form is influenced by industry-specific factors. Harzing (1999) has acknowledged that a number of firm-specific, host-country specific and industry-specific-factors that affect the choice of entry mode into foreign markets. Anna (2012) Foreign direct investments, especially in developing countries, are often viewed by the policy makers as a quick way to boost the economic growth but latest studies on FDI more precisely shown that not all of the FDI entry-modes can be beneficial.

1.2 Statement of the problem

Due to the dynamic nature of business environments, international business uses different types of entry modes to host countries to minimize risks and maximize their values. Selecting the appropriate entry mode is one of the main firm's strategic decisions in its international business activity. The FDI entry mode choice persists as one of the most challenging decisions for a firm seeking to enter foreign markets (Anderson and Gatignon 1986, Brouthers and Brouthers 2000, Cui, Jiang, and Stening 2011). Root (1994) empirically examined the choice of market entry mode and figured out that choice of market entry mode is among the most critical strategic decisions for Multinational companies (MNCs). Nakos and Brouthers (2002) were empirically underlined that the choice of market entry mode is a critical strategic decision for firms that aiming to conduct business abroad. Wind and Perlmutter (1977) empirically identified that the choice of market entry mode has a great impact on international business operations; even choice of market entry mode is considered as "a frontier issue" in international marketing. According to Kamau (2019) market entry strategies do not directly enhance the profits, ROA, and ROI of these firms (no causal link). Onamusi, A.B. (2020) empirically examined entry mode Strategy, customer engagement, and Firm Performance and the result of the study showed that entry mode strategy has a positive and significant effect on firm performance.

Nocke and Yeaple (2008) have shown that more productive firms tend to enter the market via new capital investments rather than through acquiring domestic capital. Laura and Nicolae (2014) examined the selected FDI Entry Modes and their Firm Performance in a Transition Economy of Romania and came up with the result of multinational enterprises in Romania favored greenfield FDI over acquisitions but acquisitions exhibited higher profit margin and turnover compared to greenfield FDI. Anna (2012) examined the effect of FDI entry-mode on economic growth of Ukrainian Regions with empirical results of both forms of FDI entry are beneficial for economic growth of Ukrainian regions.

To speed up their economic developments; host countries continued promoting to attract more FDI inflows and also easing the FDI entry processes (Rahman, 2013). Ethiopia has been conducting promotion by using different promotional tools to attract adequate FDI resources. According to UNCTAD's World Investment Report (2020), still Ethiopia remained the largest recipient of FDI in East Africa, with investments in petroleum refining, mineral extraction, real estate, manufacturing and renewable energy. Despites being the largest FDI receiver in East Africa, FDI inflows to Ethiopia decreased to USD 2.5 billion in 2019, compared to USD 3.3 billion in 2018 (-24%) while FDI has been negatively impacted by instability in some parts of the nation, including regions with in which industrial parks exist. According to the World Bank's Doing Business Report (2020) which was indicating that Ethiopia has been ranked 159th worldwide, for the ease of doing business due to the number of obstacles to foreign investment, namely the high interference of the State in the economy, poor infrastructure, difficulties related to land acquisition, strict foreign exchange controls, very high transaction costs and weakness of institutions on enforcing rules and policies.

According to Brons (2020), the rising levels of multinational activity of firms increased the importance of entry mode strategies. Accordingly, across the globe FDI entry strategies have been studied extensively in the literature and different theories have been used to examine entry modes from a variety of approaches but there is no research has done on the topic of Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia. Most of the conducted researches are related to FDI entry modes performances which align with post firm establishment performances measurements based on profitability and efficiency. Therefore, this study is showed the assessment of FDI establishment stage

performances rather than post establishments of FDI firm's performances. Nowadays' foreign market entry strategies have been primarily considered from the perspective of the companies' performance. Thus, in view of the insufficient study regarding FDI entry performances at the early stage of firm establishments in Ethiopia, this study explores the performances of FDI entry with specific emphasis on the early stages of firm establishments in the case of Ethiopia.

1.3 Objective of the Research

1.3.1 General Objective

The main objective of the study is to Assess Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia.

1.3.2 Specific objectives

In addition to main objective; this study considered the following specific objectives guided the study to*:*

- Asses new FDIs entries trends and status
- Asses new FDI by sector, type of investors, region and country of origin
- Describe FDIs entries under pre-implementation stage
- Describe FDIs entries under implementation stage
- Describe FDIs entries become operational with scope period
- Describe FDI permit cancellation

1.4 Research Questions

- Do all foreign direct investment entered firms are become operational in Ethiopia?
- Are there any foreign direct investment cancellations at establishment period?
- Which type of investors are investing in Ethiopia?
- Which countries have highest share of FDI in Ethiopia?

1.5 Scope of the Study

The scope of the study mainly focuses on Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia. Therefore, as per the Ethiopia Investment commission office, there are four stages of foreign direct investments such as pre-implementations; implementations, operational and FDI permit cancelation stages/phases. The purpose of this study is focusing on all four phases of foreign direct investments entry

performances during the establishment period. Hence, the scope of the study is organized in terms of Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia.

1.6 Significance of the Study

The significance of the study is to identify Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia. The study is important to the policymakers and the federal government in order to adopt and implement policy measures that will boost overall FDI performance that can contribute to economic growth. Besides, it helps other researchers as a source of reference for those who are willing to conduct further researches on the area ahead.

1.7 Limitation of the Study

This study is limited to "Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia" and also it may not be free from the inherent weakness related to the data collected and the study is not examined all periods FDI entries as it limited to new FDIs came between 2011 to 2020 and study is not examined FDI performances after their operational stage (post establishment).

1.8 Structure of the Paper

The research report is organized in to five chapters. Chapter one; presenting the introductory part of the study: - specify the study background, give brief details on the statement of the problem, objective of the study, research questions, Hypothesis testing, scope and limitation, and significance of the study. Chapter two; providing the theoretical and empirical literature review on related topics and Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia. And it also shows the conceptual framework the research. Chapter three; also demonstrate the study methodology and it will contain the research design, population and sample, data collection instruments and data analysis tools and procedures. Chapter four; present results and discussion based on the collected information and analysis from the respective organ. Finally, Chapter five; furnishing the research conclusion and possible recommendation.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Foreign Direct Investment (FDI)

Bodie et al (2014) defined that an investment is the current commitment of money or other non-money resources with the expectation of gaining prospect benefits. According to the IMF, Foreign Direct Investment (FDI) is a type of international investment which is made by a resident entity in one country to establish a lasting interest in an enterprise resident in a country other than the investors and classifications of FDI include equity, intracompany debt, and reinvested earnings. According to the OECD (2012) indicated that a foreign direct investment firm is a firm resident in one country and an investor resident in another country and holds 10% or more of the firm's voting power or share from total capital either directly or indirectly.

2.2 Foreign Direct Investments Entry

According to Wikipedia; Foreign market entries are the ways in which a company can expand its business services into oversea markets. According to the MBA Knowledge Base website; the dynamic business environment for the internal and external atmospheres have more impacts on firms to expand their operations across country borders. External factors that affect firm expansion are the removal of trade barriers, free trade agreements between countries, and an emerging middle class that has made the idea of going global more attractive to organizations across the world. On the other hand; internal factors that affect firm expansion are increasing profits, increasing market share, and becoming a global brand are more drivers for organizations to globalize while there are a lot of drivers of internationalization, and also there are different potential advantages to internationalize.

2.2.1 Foreign Direct Investment Entry Modes

Entry mode is the manner in which a firm chooses to enter a foreign market through Foreign direct investment. Entry mode include international franchising, branches, contractual alliances, equity joint ventures, and wholly foreign owned subsidiaries and the choice of entry form is influenced by industry-specific factors. Root (1994) empirically examined the choice of market entry mode and figured out that choice of market entry mode is among the most critical strategic decisions for Multinational companies. Nakos and Brouthers (2002) were empirically underlined

that the choice of market entry mode is a critical strategic decision for firms that planning to conduct business oversea. Wind and Perlmutter (1977) empirically identified that the choice of market entry mode has a great impact on international business operations; even choice of market entry mode is considered as "a frontier issue" in international marketing. Harzing (1999) has acknowledged that a number of firm-specific, host-country specific and industry-specific-factors that affect the choice of entry mode into foreign markets. And concerning firm-specific factors, one of the essential drivers to initiate a greenfield or an acquisition are naturally the costs implied and the expected post-entry profits. Anna (2012) conducted research on FDI entry and came up with FDI in a host country can come in two entry-modes: one in form of Greenfield investments and another in form of Acquisition, depending whether new assets are involved in investment process or it is just a transfer of already existing assets. Kumar and Subramaniam (1997), Chung and Enderwick (2001) and Nakos and Brouthers (2002) were empirically underlined that the choice of market entry mode is a critical strategic decision for firms that aiming to conduct business abroad. Among the many Scholars who highly stressed the entry mode strategy adopted by firms may be appropriate for the business environment it chooses to operate in the future (Brouthers, 2013 and Powell, 2019) and on the other hand, according to Brouthers (2013) and Yasmeen & Viswanathan (2017) identified that the failure to choose an appropriate operational entry mode strategy hurt organizational performance.

Scholars like Arasa & Gideon (2015); Brouthers (2013); Hollender, Zapkau, & Schwens (2017); Nisar et al. (2018) and Teng, Huang, & Pan (2017) were emphasized the effect of entry mode strategy on firm performance. The proportion of Merger and Acquisitions in total FDI has been increasing at the expense of greenfield investment (Shenkar, 2007).

2.2.1.1 Export modes

2.2.1.1.1 Exporting

According to the press books website; the core principles of international business; exporting is the sale of products and services in non-domestic countries that are sourced from the home country. Exporting is the marketing and direct sale of domestically produced goods in another country and Exporting is a traditional and well-established method of reaching foreign markets; Exporting is usually the easiest way to enter an oversea market, and most firms begin their international expansion using an export model of entry. Bradley (2005) examined exporting and

described exporting as the quickest way and also the easiest way of entering a new foreign market. According to Stahler et al (2007) who empirically conducted research on the choice of market entry mode and came up with the suggestion of if greenfield investment is less profitable than exporting, local firms may refuse to participate in a joint venture, leaving the multinational to choose between merger and acquisition and exporting (Horst, Michael, and Frank;2007). Chung & Enderwick (2001) conducted a study on exporting and empirically indicated that export is a low commitment of resources & Low investment choice. Howard (2014) conducted a study on Foreign Entry Mode and Performance and its results indicated that firms will have a higher rate of international revenue growth using non-equity based (exporting) foreign market entry modes in growing domestic environments but International revenue growth is higher for equity-based modes when foreign market risks are high.

2.2.1.1.2 Indirect entry

According to Albaum & Duerr (2008:308) who explained that indirect export is used when a firm in the domestic country to do the exporting manufacturer activities.

2.2.1.1.3 Direct exporting

According to Root (1994) Direct exporting occurs when the producer sells directly to the importer or buyer located in a foreign country. The manufacturers' use this type of entry mode when the producer has very little or no knowledge about the foreign market.

2.2.1.2 Contractual Entry modes

According to Bradley (2005), contractual Entry modes consist of several similarities but get different contractual arrangements between the firms from the domestic market and the company that licenses the intangible assets in the foreign market.

2.2.1.2.1 Licensing

Licensing entry mode is formal permission offered to a firm or its agent located in a host nation to use a home firm's proprietary technology or other knowledge resources by making some monetary payments to the original owners in return (Johnson & Tellis, 2008). One of the good benefits of an international licensing agreement; it allows a foreign company (the licensee) to sell the products of a producer (the licensor) or to use its intellectual property in exchange for royalty

fees. A company gives a license to a foreign company that enables them to use it. Most of the time; small and medium-sized companies are using licensing as one of the most favorable types of entry mode. According to Chen & Messner (2009); conducted a study on the advantages and disadvantages of licensing and came up with the advantages related to the licensing is when the host country limits capital investment amount or when restrictions forbid other entry modes it provides firms to earn profit from a foreign market and companies can make a profit without committing sizable funds and taking rampant international construction risks. Besides, licensing is considered as the fastest and easiest way of entering into the international market as some countries prefer licensing. On the other hand, licensing has some disadvantages, the return from investment can be lower than from other modes of direct foreign market investment and a low level of control may damage the licensor's trademark and reputation.

2.2.1.2.2 Franchising

As per the international marketing theories; an international franchise agreement is when a company (the franchiser) permits a foreign company (the franchisee) the right to use its brand name and to sell its products or services. The franchisee is contracting to operate according to a business model established by the franchiser and is also responsible for all operations. In the current business environments; firms are use franchising most frequently as compared with other entry modes.

2.2.1.2.3 Contract Manufacturing

According to Albaum & Duerr (2008), Contract Manufacturing entry mode is a type of entry mode which takes place between licensing and investment entry. Also, Root (1994) argued that a company contracts a firm in the foreign market to assemble or manufacture the products but they still have the responsibility for marketing and distribution of the products.

2.2.1.2.4 Management contracts

According to Root (1994) Management contracts occur when a manufacturer wants to enter a management contract to outsource management which seldom isolated from other arrangements. The international management contract gives the company the right to control the day-to-day operations in the foreign market where a firm established.

2.2.1.3 Investment entry modes

2.2.1.3.1 Acquisition investment entry modes

According to the Shenkar (2007); who positioned to an acquisition occurs when a firm buys out a portion (called partial acquisition) or the entire ownership (known as complete or full acquisition) of a targeted firm in the host country. Acquisition investment entry modes is the choice that influenced by institutional, cultural, and transaction cost factors, especially, the attitude toward takeovers, conditions in capital markets, policies, privatization, regional integration, currency risks, and also the role played by intermediaries like investment banks actively seeking acquisition opportunities and taking initiatives during the contractual deals. According Ball & McCulloch (1999) view a merger or acquisition occurs when a foreign firm purchases the existing assets of a local firm and argued that mergers and acquisitions usually are undertaken when a transfer of existing assets from local firms to foreign firms happens. According to Nicolae and Cristinel (2008) dominance of acquisitions in worldwide FDI as opposed to Greenfields. During the 1990s, acquisitions became a widely used mode of TNC entry and expansion in virtually all industries but it was in services that most acquisitions took place, e.g. banking, basic telecommunications, electricity and water (UNCTAD, 2004). According to the UNCTAD (2000) report indicated that over the last decade, the growth in international production has been conducting through acquisitions instead of greenfield investment. According to Nicolae and Cristinel (2008) the setting up of a new production facility (greenfield investment) is not only costly in the short run but takes time to implement while the foreign firms are wanting to take advantage of a rapidly expanding market; therefore, foreign firms are favoring to choose to enter via acquisition as acquisition allows a relatively quick method of gaining access to the foreign market (Nisbet et al., 2003). Balsvik and Haller (2005) find that foreign acquisitions have a positive impact on the productivity of local firms, while the impact of greenfield entry is negative. On the other hand, some scholars argue against Acquisition; Grunfeld and Sanna-Randaccio (2005) show that acquisition costs can be also surprisingly high, leading to low profits from acquisitions. According to Meyer and Estrin (2001) empirically indicated that an acquisition facilitates quick entry and immediate access to local resources when compared with other investment entry modes, but the acquired company may require deep restructuring to overcome a lack of fit between the acquirer and acquiree. Besides Haller and Balsvik (2007) provided empirical justification that for acquisition FDI; there is

positive productivity spillover effect to domestic firms but in case of Greenfield FDI; negative productivity spillover effect to local firms. Many empirical studies (Welge and Holtbrugge 1998; Meyer 2000; Meyer and Estrin 2001; and Isobe et al 2000) mostly showed that acquisitions were the favorite method to entering sectors previously restricted to state-owned enterprises, especially as domestic firms were often underrated prior to privatization. Timothy (2020) examined the relationship between entry modes and firm performance over time and his study argues that full acquisitions outperform partial acquisitions based on an integrative approach of Transaction Cost Theory (TCT) and in the short term Resource Based View (RBV) antecedents result indicated that full acquisitions certainly outperform partial acquisitions but this statement cannot be supported due to insignificant results in the long term. Nicolae and Cristinel (2008) empirical results indicated that when the companies were split on the two types of FDI such as greenfield and acquisition; in the case of Romania there was clear proof that a large number of acquisitions reported weighty profit margins when compared to Greenfields that were grouped in the categories with average profit margins and besides to aforementioned results; they found that there were also more Greenfields that reported losses, compared to only one acquisition. Desislava and Arjen (2007) examined foreign Direct Investment Mode Choice in Transition Economies and determined that acquisitions are desirable only if the institutional environment is fairly advanced and in the perspective of entry mode decisions, institutional advancement in transition economies stimulates investors to trade costly governance structures of full subsidiary ownership for local partnerships.

2.2.1.3.2 Greenfield investment

According to Shenkar (2007); A greenfield investment occurs when a firm independently (i.e., as sole owner) or jointly with another firm (i.e., in a joint venture) builds brand-new facilities from scratch in a host country and greenfield investment is commonly used as a form of entry in industries in which the technological skills and production technology remain crucial. Ball & McCulloch (1999), stated that greenfield investment as a company that wishes to own a foreign subsidiary outright may start from scratch by building new facilities or expanding the existing facilities. Most of the time; greenfield investments are the primary target of a host nation's promotional efforts because they create new production capacity, jobs for new employments, transfer technology and know-how, and also can lead to the global market arena. Nicolae and

Cristinel (2008) added that a greenfield investment is easier to integrate into the network of the parent firm and usually carries a larger potential for profit when compared to an acquisition investment. Kogut and Singh (1988), revealed that the greater the cultural distance between the foreign firm and the host country, the more likely a firm will choose a greenfield investment over an acquisition investment which has the low possibility to choose regarding strong cultural distance. In addition to strong cultural distances; greenfield investment project is also favored if the availability of resources, such as real estate, or access to utilities, raw materials are not restricted and if incentives are offered for such firms. Andersson and Svensson (1994) empirically assured that greenfield investment is more encouraging and efficient for high technological firms when compared with acquisition Investment. On the other hand; Nicolae and Cristinel (2008) indicated that the setting up of a new plant via greenfield investment is not limited to high investment cost but takes significant time to implement and its means greenfield investment project gives the investor the burden to create an entirely new organization specified to its own requirements but usually implies a gradual market entry. Likely positive for host country; according to Harris (1996) setting up a new company via greenfield investment is better as greenfield investment avoids antitrust laws and also offers multiple benefits to the host country such as creating jobs to avoid social problems than acquiring an existing company and increased production capacity.

2.2.1.3.3 Joint Venture

Masum and Fernandez (2008), connoted that a Joint venture is an entity that is formed by two or more firms that are autonomous and are working together Firms agree on the responsibility of managing and running the business and sharing the income that is obtained from the resultant operation of the company. According to Isaac and Martinez (2013); in entry mode where subsidiary establishment through acquisition or greenfield is not mandatory, Multinational companies can mitigate this challenge by partnering with other companies that have experience in conducting business within the targeted area via forming coalitions with others. This type of investment entry mode will allow multinational enterprises to syndicate their resources and expertise with organizations that have a history of working business in the targeted business places. The international business venture is an entry mode that is shared between multinational companies that can either be equity-based or non-equity-based involvements. According to Chen

(2008), joint ventures implicates the shared ownership establishment in which conflicts and disagreements may arise among the investing firms due to firm control or administration. Jude (2017) indicated that the political situation makes joint ventures the most feasible entry mode in some countries and joint venture entry modes mostly take place in core industries like media and defense.

2.2.2 Firm Performances

Lebans and Euske (2006) identified that performance is a combination of financial and nonfinancial indicators that give information about the accomplishment organization's objectives in terms of achieved outputs and Performance measurement is dynamic, demanding judgment and interpretation of information grasped about organization's accomplishment. The standards usedtt for assessing performance are productivity, flexibility, and inter-organizational tensions (Georgopoulos & Tannenbaum, 1957). According to Siminica (2008), performance is an expression of two variables such as efficiency and efficacy. Bartoli and Blatrix (2015), believed that the definition of performance should be realized through the items like piloting, evaluation, efficiency, effectiveness, and quality. According to the Georgopoulos & Tannenbaum (1957) firm performance was reflected as the equivalent of organizational efficiency, which represents the degree to which an organization with limited resources achieve its set objectives and goals without using excessive resources. Piotr (2013) explained that the determinants of the choice of foreign direct investment as a foreign entry strategy can be directly related to performance or indirectly, it can be expected that the choice of foreign direct investment should ensure realization of the ultimate goal of performance maximization. Schmalensee (1985) concluded that performance is largely the outcome of industry effects that means some industries are more profitable than others, and the choice of industry in which to participate is a crucial management task for firm performance.

Omar and Zinneb (2019) showed that majority of scholars agreed that the lack of any operational definition of firm performance while there would naturally be varied interpretations. Lebans and Euske (2006) provided a set of definitions to illustrate the concept of organizational performance by indicating that performance shall be explained by using a causal model that describes how future results can be affected by current actions and on the other hand; performance may be understood differently depending on the person involved in the assessment of the firm

performance. According to Atkinson et al. (1997), the performance measurement system helps the company to assess the company in building and implementing process that contribute in achieving the strategic objective, assess, and monitor strategic planning in accordance with the covenants negotiated with key stakeholders. According to Waggoner et al (1999); identified that measurement of performance can offer significant important information to allow management of performance regrading knowing the company progress and pinpoint problems. According to Omar and Zinneb (2019) indicated that firm performance frequently used as a dependent variable and these days, firm performance has become an important concept in strategic management research

2.3 Theoretical Review

There are a number of theories that connotes why and how companies start their business operations in overseas markets as well as there are different types of FDI entry modes in any country therefore there is no single theory fits for all countries or regions. Patricia (2015) examined the availability of major foreign direct investments theories and concluded that there is no single superior theory which comprehensively explains foreign direct investment status.

Although market entry mode choice became the object of various FDI theories where different models were developed to understand and explain association of FDI impacts. Xuemin and Reinhold (2004) argued that among the numerous theories of foreign direct investments and they put five basic approaches which are particularly prominent and have been applied widely across the globe. They are: -

A. The Stage of Development (SD) model (Johanson and Paul 1975; Brooke 1986),

The stage of development (SD) model, sometimes known as U model and it was proposed by Johanson and Paul (1975) when they exploring internationalization strategies of Small and Medium sized Enterprises (SMEs). The stage of development model advocating that the internationalization of SME is a slow, long and incremental process with two dimensions; one the geographical and the another one, about cultural expansion and the commitment. For the first time; Brook (1986) has enhanced and applied market entry mode decision and where foreign market entry mode is remained dependent on the stage of a firm's development.

B. The TCA model and its extensions

In the beginning; Anderson and Gatignon (1986) has suggested transaction cost analysis (TCA) as one of the FDI theories. The underlying theory of transaction cost analysis is based on transaction cost economics which was initiated by Williamson (1975 and 1985) as a tool to explain economic problems where asset classification plays a strategic role. Anderson and Weitz (1986) constructed a framework using transaction cost analysis theory to analyze top down or vertical integration and marketing effectiveness problems. Hill et al. (1990) has combined two main marketing factors such as environmental and strategic factors into the transaction cost analysis framework. Klein et al. (1990) further extended the transaction cost analysis by incorporating production costs and by dividing external uncertainty in to the framework.

C. The ownership, location and internalization (OLI) theory

Dunning (1977) has introduced the ownership, location and internalization (OLI) theory at a presentation on a Nobel Symposium in Stockholm on "The International Allocation of Economic Activity" intending to identify and evaluate the factors that influencing both the initial act and the growth of foreign production. To explain the international production; Dunning (1977) introduced the concept of ownership advantage. In addition to Dunning to explain international investment; earlier Buckley and Casson (1976) has proposed internalization to further elaborate international production and also they argued that multinational companies would internalize their activities in a foreign country if the costs of internalization were lower than the costs they incur for exporting or other contractual agreement.

D. The Organization Capacity (OC) model

Sequentially; Aulakh and Kotabe (1997) and Madhok (1998) was developed the organization capacity (OC) model and the model was derived from organization theory. This model also debates that entry mode decision of the firm, the firm's boundary issue is a related to competency and it is made under a calculus governed by considerations related to the deployment and development of a firm's capabilities as an organization capacity is considered as key factor for entry mode choice decision making. Therefore, adopting this model is not limited to organization capacity but furthermore to develop and measure the organization's efficiency.

E. The Decision Making Process (DMP) model

From the beginning, Root (1994) has proposed the decision-making process (DMP) model. This model advocating that entry mode choice should be treated as a series decision-making process than one stage decision-making process. During the decision making for foreign market entry mode; firms shall consider diverse factors before starting business abroad, such as the objectives of the intended market entry, the existing environment, business associated risks and costs, have to be taken into account to decide and proceed to process foreign market entry.

2.4 Empirical literatures review

2.4.1 Empirical literatures conducted on other countries across the world.

During the empirical literatures review periods; study limited to get similar or related while most of the empirical literatures are related to post establishment performances of FDI and entry modes.

Based on the Buckley and Casson (1998) approach; the entry choice that a firm has decided to enter a foreign market is foreign direct investment entry mode, where a choice will be between setting up an entirely new plant or acquiring an existing plant in the foreign market. Görg (1998) examined by analyzing foreign market entries and his focus was the choice between greenfield investment and acquisitions and also concluded that in an asymmetric duopoly situation a new entrant will normally be best off by acquiring an existing indigenous low-technology firm and in terms welfare; more likely the entry of the foreign firm damages the country while even when there is full profit repatriation; there exist some possibilities of welfare, particularly after a greenfield investment by the foreign firm which is higher than before entry. Auerbach and Hassett (1993) conducted research on Taxation and Foreign Direct Investment in the United States and Klein and Rosengren (1994) conducted research on the Real Exchange Rate and Foreign Direct Investment in the United States and fortunately both researches were used similar data and come up with result of more than 60% total foreign direct investment inflow came from acquisition form of foreign direct investment alternative. Yigang et al (1999) examined that the Impact of Order and Mode of Market Entry on Profitability and Market Share and concluded that early entrants have significantly higher market shares and profitability than late followers and

also study identified that equity joint ventures have a higher profitability than either wholly owned companies or contractual joint ventures.

Shenkar (2007) examined that FDI Theory and Application and by concluding the research result; developing countries have attracted a larger number of greenfield investments than developed countries and also developing economies mobilizing more foreign direct investment through greenfield projects than via merger and acquisition.

2.4.2 Related Empirical Studies conducted in Ethiopia

Most of the FDI related literatures conducted in Ethiopia are on the arears of determinants of FDI; relationship between FDI and Economic growth; Policy Reform and FDI; An Investment Guide to Ethiopia: Opportunities and conditions; and others. Regarding the topic of this research "Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia" up to my knowledge there is no empirical literatures in Ethiopia on the specified title or related titles of FDI entry performances at early stages of firm establishments.

2.4.3 Factors affecting FDI Entry and Entry Modes

From a neo-liberalist's viewpoint; foreign direct investment triggers technology spillovers, assists human capital development, contributes to international trade integration, helps to create a more competitive business environment and enhances firm development (Henok, 2014). Root and Ahmed (1979) empirically examined the determinants of non-extractive FDI inflows for 70 developing countries over the period 1966-70; five years' data where their analysis targeted to test the significance and to explaining the determinants of foreign direct investment in terms of economic, social and political variables and also they empirically concluded that developing countries that have attracted the most non-extractive direct foreign investment are those who have substantial urbanization, a relatively advanced infrastructure, relatively high growth rates in per capita GDP, and politically stable countries. Similarly, Asiedu (2002) has empirically validated that foreign direct investment determinants in Africa is not limited to availability of natural resources alone but governments can play an important role in guiding of foreign direct investment through favorable trade reform, macroeconomic and political stability, efficient institutions and improvement.

2.4.3.1 Natural Resources

In Africa, most studies argue that foreign direct investment inflow is attracted largely by natural resource availabilities. Asiedu (2006) examined the mineral and oil exports-total exports ratio as a proxy of natural resource has a significant role in attracting foreign direct investment inflows by taking 22 African countries as a sample during (1984-2000) and using panel data analysis and the result of study showed that one standard deviation increase in natural resources results a 0.65% rise in foreign direct investment inflow ratio. Hailu (2010) examined that the demand side factors affecting foreign capital inflows over the period 1980 and 2007 in 45 African countries and the study found that natural resource (mineral depletion as a share in GNI) is positively and significantly correlated with foreign direct investment ratio. According to Morisset (2000) who conducted survey on 29 African countries and explored that there is a high correlation between foreign direct investment inflows and total value of natural resources in each country and accordingly, natural resources are one of the main factors which drive favorable foreign direct investment inflow. On the other hand; Mohamed (2016) study examined that Natural Resources and foreign direct investment in Gulf Cooperation Council (GCC) Countries using panel data analysis for six oil dependent countries during 1980-2013 and applying several econometrics techniques and came with a results of natural resources measured by oil rents have a negative association with foreign direct investment inflows; this negative impact is robust even when other determinants of foreign direct investment are included and in addition, this study showed that trade openness and labor force are the main factors that encourage foreign direct investments but political instability and corruption discourages foreign investment inflows into GCC countries. Regarding GCC region, Mina (2007) looked at the location determinants of FDI for the period 1980-2002 using panel data analysis and Mina's results indicates that natural resources measured by oil reserves have a remarkably negative impact on foreign direct investment flows. Kinoshita & Campos (2003) empirically examined the determinants of foreign direct investment inflows to 25 transition economies between 1990 and 1998 using unique panel data; this study concluded that natural resources are the key factor for attracting foreign direct investment to these 25 transitional economies along with institutions, openness and agglomeration. According to Mohamed (2016) Natural resources are a blessing for some countries to attract FDI but cursed for others.

2.4.3.2 Political stability

Brada et al. (2003) identified that the effects of transition and political instability in the Eastern European and Balkan transition economies on their foreign direct investment inflows and accordingly the study verified that the Balkan countries were suffered large foreign direct investment inflow shortfalls due to political instability but the transition countries those are not affected by the political instability, their foreign direct investment inflows in the 1990s were improved to 30% from 20% of preceding periods. Campos and Nugent (2003) investigated aggregate foreign direct investment and political instability and their results provided that stronger causality between political instability to FDI. Lucas (1990) empirically examined that why does not Capital Flow from Rich to Poor Countries and argues that only political risk is an important factor in limiting capital flows or FDI Inflows which means investments in many developing countries are exposed to large political risks. Nicholas, Mohamad & Roy (2020) conducted study on impact of Political instability on FDI in Lebanon and the findings came up with evidence of significant causality relationship between all political risk factors and FDI inflows but Other determinants such as Infrastructure, Inflation, Trade Openness and Wage Rates have insignificant effects. Getinet and Hirut (2006) empirically identified that political variable is among the more important determinants of foreign direct investment in Africa than the market variables.

2.4.3.3 Economic growth

Carkovic and Levine (2002) examined that does foreign direct investment accelerate economic growth by covering 72 countries over the period 1960-1995, found that the exogenous element of foreign direct investment does not have any positive effect on growth; and also they found that there is no evidence to support the assertion of FDI but on its own, FDI can influence the host country's economic growth. Also; Edmore and Nm (2014) examined that Foreign Direct Investment and Economic Growth: A theoretical framework and the theoretical literature reviewed in this study showed that foreign direct investment is a crucial contributor to the economic growth of the host country and accordingly; foreign direct investment affects economic growth through two broad channels: firstly foreign direct investment can encourage the adoption of new technologies in the production process via technological spillovers; and secondly foreign direct investment may bring knowledge transfers, both in terms of labor

training and skill acquisition as well as by introducing alternative management practices and better organizational lineups. Alfaro (2003) investigated that foreign direct investment and economic growth: Does the sector matter? And used the cross-country data for the period 1981-1999; and this study concluded that FDI has an ambiguous effect on economic growth of host country. Trang et al. (2019) examined that Foreign Direct Investment and Economic Growth in the Short Run and Long Run where empirical Evidence from Developing Countries with lower-middle-income group by considering period of 2000–2014 and the results of this study showed that foreign direct investment stimulates economic growth in the long run but it has a negative impact in the short run for the countries in the scope of study. Koojaroenprasit (2012) examined the impact of FDI on economic growth in Korea over the 1980–2009 period and the study found that there is a strong positive effect of FDI on Korea's economic growth and in addition to economic growth human capital, export, and employment also positively affected by FDI subsequent growth. Hosein (2015) investigated the effect of FDI on economic growth and the importance of host country characteristics by selecting sample period covered from 1970 to 2005 for developing countries and by applying GMM panel data technique, the study found that FDI has positive impact on economic growth, but its magnitude depends on the host country conditions to achieve an economic growth and sustainable development. Getinet and Hirut (2006) empirically identified that macroeconomic stability variable is among the more important determinants of foreign direct investment in Africa than the market variables.

2.4.3.4 Government policy

According to Bende-Nabende (2002) study which found that market growth, export-orientation policy and liberalization as the most dominant long-run determinants of foreign direct investment. Getinet and Hirut (2006) empirically identified that government policies variable is among the more important determinants of foreign direct investment in Africa than the market variables. Lee (2003) indicated that effective government policies are active drivers of foreign direct investment inflows.

2.4.3.5 Infrastructure

Nor et al (2012) examined the role of infrastructure in influencing foreign direct investment inflows to Malaysia for the period of 1970-2010 using time series analysis techniques that addressed the problem of non-stationarity and the finding of the study indicated that infrastructure has a positive and significant effect on foreign direct investment inflows to Malaysia. Mumtaz (2014) examined the importance of infrastructure availability in the host developing country in increasing its attractiveness for overseas investors and the study used annual data for a panel of 90 developing countries over the years 1980-2007; found that Infrastructure availability positively influence overseas investors location choice. According Asiedu (2004) study indicated that better infrastructure can significantly reduce overhead costs for foreign investors. Shah and Ahmed (2003) identified that well developed infrastructure positively affects investor's location decision. Joshua and Benjamin (2017) study examined the roles of infrastructure in attracting FDI into Nigeria for the period between 1981-2014 and the study employed the ARDL Bounds Test approach co-integration to determine the long-run relationship among the variables in model and accordingly; the result showed that there is a long-run relationship between infrastructure and foreign direct investment in Nigeria while the result of the estimation of the selected ARDL Error Correction Model showed that none of the infrastructure variables (tractor, telephone lines and electricity) employed in the study is significant to attract foreign direct investment into Nigeria in the short-run but in long run electricity (power supply) to influences foreign direct invest in Nigeria.

2.4.3.6 Openness to trade

Mumtaz (2014) found that trade openness anticipates a positive association between foreign direct investment inflows and a developing country's market liberalization**.** Argovas & Skandalis (2012) identified that trade openness could theoretically attract foreign direct investment inflows through liberalization in the trade environment and reduction of trade barriers. Cüneyt and Mustafa (2016) identified that trade openness has positive and statistically significant effects on foreign direct investment. Fosu (2016) empirically identified that trade openness as one of the important determinants of FDI inflows in Ghana and the finding suggests that trade openness effect is also critical in attracting more foreign direct investment inflows into the Ghana economy.

2.4.3.7 Market size and labor

In line with empirical evidence; Fosu (2016) identified that market size effect is important determinants of foreign direct investment inflows in Ghana and this finding suggests that market size effect is also critical in attracting more FDI inflows into the Ghanaian economy. Alsan, Bloom and Canning (2006) examined FDI impact by including total population as an indicator of country's market size and expected that market size have an increasing positive impact on foreign direct investment and this result showed that total population have a positive and statistically significant effect on foreign direct investment and in addition result of the study indicated that mostly foreign direct investment prefers those countries in which market size is bigger and labor supply is higher with lower wage rates. Mumtaz (2014) examined market size impact on FDI by using annual data for a panel of 90 developing countries over the years 1980-2007 and found that consistent with the prediction of the market size hypothesis, population is found to have a significant positive effect on FDI inflow and an increase in the market size of a host country is associated with more FDI inflows. Oyegoke and Aras (2022) indicated that the success of foreign direct investments in the country mainly is determined by the market size, human capital, and stable macroeconomic environment, and also influenced largely by the pull factor and the push factors.

2.4.4 Conceptual frameworks

To construct a conceptual framework of this study; study used to refer many literatures to formulate well-known conceptual framework but to the researcher's knowledge; there is no this study specific literatures and conceptual frameworks which indicated on earlier researches. Therefore, study constructed its own conceptual framework and puts foundation to potential researchers based on the data collected from Ethiopian Investment commission. As per the Ethiopian Investment Commission (EIC), there are four stages of development for foreign direct investments such as Pre-implementation stage, implementation stage, operational stage and permit cancellation. Based on the EIC data, four new FDI phases are briefly describe below.

A. **Pre-implementation stage: -** this stage is initial stage of new FDI entry. At this stage, firms focus on the activities that will help them to smooth their investment process become operational. During this stage, firms are processing their investment permit certificate to get

approval from EIC. As per an investment guide to Ethiopia document; requirements to obtain investment permit for foreign investors are capital and documents. Accordingly, as per the proclamation No.1180/2020, minimum capital requirement for wholly foreigners and joint venture with local investors are USD 200,000 and 150,000 respectively for the investment sectors allowed under the investment proclamation while USD 100,000 for wholly foreigners and USD 50,000 for joint venture with local investors on the sectors of Architectural or engineering works or related technical consultancy services, technical testing and analysis or in publishing works respectively. Secondly, documentation requirements are expected from foreign investors to submit to EIC and required documents are different based on the type of company formation.

B. **Implementation stage: -** at this stage, firms have finalized their investment permit license to invest. Firms start some activities such as building plants, installing machineries and others to implement their investment strategy. FDI firms under implementation stage are the firms which are nearing to be operational. This stage may initially be on a pilot basis before the firms being fully rolled out. On this stage, firms develop implementation plan to guided and execute activities

C. **Operational stage: -** this stage is long waited stage where the firms start their production. This stage is where the company starts offering its products to the market to generate revenues. It's the stage where investors accept their long waited benefits of making profit. At this stage, when the firms produce at their full capacity, it can be dual benefit for the investors as well as for the host country. Investors are benefited by getting adequate return on equity but host country benefits will be plentiful in terms of unemployment reduction, stabilizing market via import substitution, knowledge and technology transfers, etc. At this stage, the outcome of the firms is evaluated against their targets and capacity of production as well as customer need satisfaction.

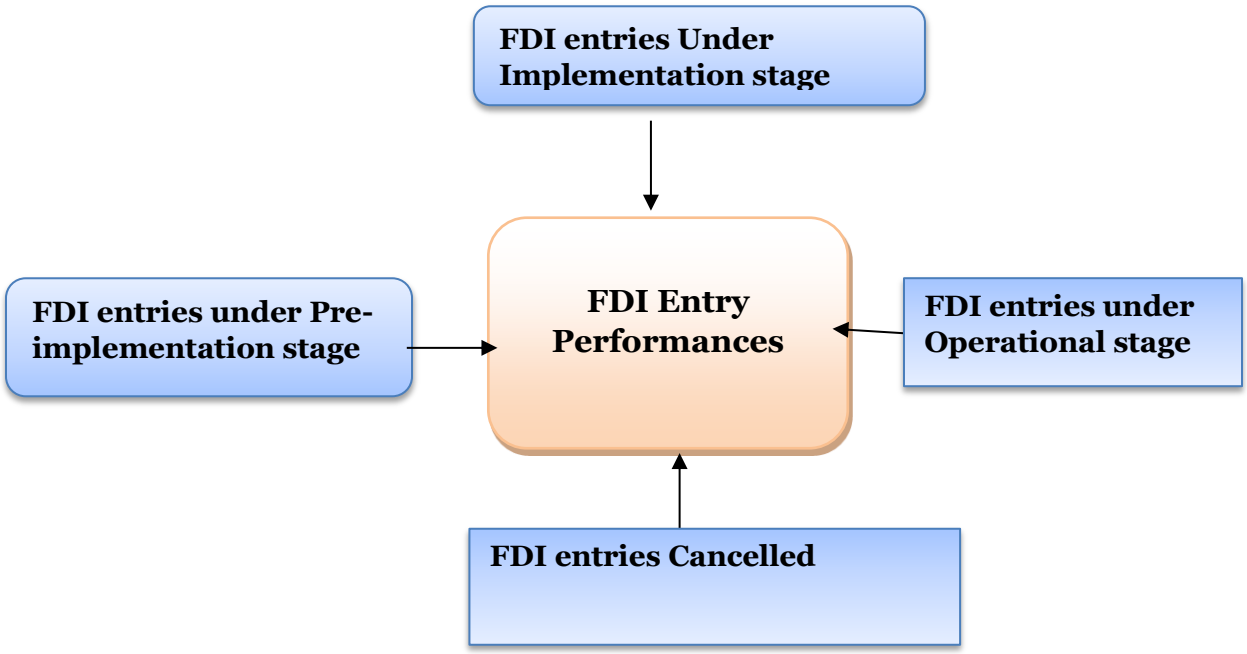
D. **Permit cancellation stage: -** this stage is where the foreign investors terminate investment contract of investing in Ethiopia**.** Permit cancellation can be conducted throughout the three stages due to different reasons. Some FDI firms permit is cancelled at pre-implementation and implementation stages due to not fulfilling documentation requirements and some FDI firms permit is cancelled at the operational stages due to unconducive business environments, saturation of the firms' performances, government intervention in different aspects.

Based on aforementioned EIC FDI phase classification and some literature review guide; the following conceptual framework is developed to describe the relationship between new FDI entrant performance at early stages of firms' establishments and FDI Pre-implementation stage; Implementation stage, operational stage and permit cancellation stage through the respective variable.

Conceptual frameworks for Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia

Figure 2.1: Conceptual framework developed by researcher

Variables



CHAPTER THREE

3. RESEARCH METHODOLOGY

This research is used data of ten years from 2011-2020. The historical data of new FDI entries from Ethiopian Investment Commission (EIC). Secondary data is used for the period 2011-2020. Descriptive analysis is used conducted using new FDI entry performance at early stages of firm establishments as the independent variable and FDI entry under pre-implementation phase; FDI entry under implementation phase, FDI entry reached at operational phase and FDI entry cancelled as the four dependent variables.

3.1 Research Design

Research design: is a technical plan used by the researcher to answer research questions validly, objectively, accurately and economically (Ranjit, 2011). According to Ranjit (2011), Research design has two main functions; first function is related to the Identification and development of procedures and logistical arrangements required to start a study and the second function is emphasizing on the importance of quality in these procedures to ensure their validity, objectivity and accuracy. According to Kerlinger (1986: 279) a research design is a plan structure and strategy of investigation to obtain answers to research questions or problems and research plan is the complete program of the research which includes an framework of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of data.

According to Creswell (2009); there are three common approaches for social and business research paradigms, these include quantitative, qualitative and mixed research methods.

Quantitative approach: where the investigator primarily uses post-positivism claims for developing knowledge like cause and effect thinking, reduction to specific variables, hypothesis and questions, use of measurement and observation, and the test of theories which employs strategies of inquiry such as experiments and surveys, and collects data on predetermined instruments that yield statistical data (Creswell,2003). According to Borrego et al. (2009) and Creswell (2003); Quantitative approach is good fit for deductive approaches, in which a theory or hypothesis justifies the variables, the purpose statement, and the direction of the narrowly defined research questions.

Qualitative approach: where the researcher regularly makes knowledge claims based primarily on constructivism and participatory perspectives or both perspectives. Creswell (2003) elaborated constructivism perspectives in terms of the multiple meanings of individual experiences, meanings of socially and historically constructed with an intent of developing a theory or pattern or advocacy/participatory perspectives such as political, issue-oriented, collaborative, or change oriented or both. Qualitative approach also uses strategies of inquiry such as narratives, phenomenology, grounded theory studies, or case studies. In this approach, the researcher collects open-ended, emerging data with the primarily intent of developing themes from the data. According to Borrego et al. (2009) and Creswell (2003) argued that if the researcher wants to identify a culture-sharing group and studying how it developed shared patterns of behavior over time; he or she shall employ qualitative approaches.

Mixed methods approach: when the researcher collecting and analyzing both forms of data (quantitative and qualitative) in a single study and on which researcher tends to base knowledge claims on pragmatic grounds such as consequence-oriented, problem-centered, and pluralistic. Borrego et al. (2009) and Creswell (2003, 2009, 2014); Mixed approach employs strategies of inquiry that involve collecting data, both numeric information (e.g., on instruments) as well as text information (e.g., on interviews), either simultaneously or sequentially to best understanding research problems and the final database represents both qualitative and quantitative information.

According to Johnson et al. (2007), there are quantitative dominant and qualitative dominant mixed methods research approaches. In quantitative dominant mixed methods research, a researcher relies on a quantitative research process, while simultaneously recognizing that the addition of qualitative data and approach in order to benefit most research project; and the reverse is true for qualitative dominant mixed methods approach.

According to Creswell (2003), there are also sequential concurrent and transformative procedures in mixed methods approach. In **sequential procedure,** the researcher seeks to elaborate or expand the findings of qualitative or quantitative method with another method. Sequential procedure may involve beginning with a qualitative method for exploratory purposes and following up with a quantitative method and vice versa. In **concurrent procedures,** where the researcher converges both quantitative and qualitative data, when two forms of data collected at the same time during the study, in order to provide a comprehensive analysis of the research

problem and then integrates the information in the interpretation of the overall results. Finally, **transformative procedures** are procedures in which the researcher uses a theoretical lens as a predominant prospective within a design that includes both quantitative and qualitative data. Transformative procedure; a data collection method involves a sequential or a concurrent procedure approach.

According to Creswell (2003), quantitative approach is best if the problem identifying factors are influencing an outcome, the utility of an intervention, or understand the best predictors of outcome and use it to test a theory or explanation while qualitative approach is employed when the researcher does not know the essential variables to examine due to little or no research has been done on it. Moreover, a mixed methods design is useful to capture the best of both quantitative and qualitative approaches through collecting both closed-ended quantitative data and open-ended qualitative data prove advantageous to best understanding a research problem.

Therefore, this study employed the quantitative dominant mixed sequential methods research approach in order to capture the expected results. Moreover, this study used both descriptive statistics in order to discuss the trend in more meaningful way and explanatory sequential mixed method approach to elaborate the result found by using quantitative data with qualitative data Creswell (2014).

3.2 Types and Source of Data

This study is used both quantitative and qualitative data types to outreach the research questions. Purposely, this study is used mainly quantitative data, which collected from Ethiopia Investment Commission (EIC). The qualitative part of the data was collected from annual reports of EIC.

3.3 Population and Sample size

3.3.1 Population

As per the Ethiopian Investment Commission aggregate data; about 4,999 new FDI entry investment permits has been given between July 2010 to June 2020, within these ten years', Ethiopia has mobilized total startup capital of 572.78billion Ethiopian Birr. To know population of the study; aggregate data has further differentiated by type of investors and country of origin; so to come down to the real FDI data, domestic investors whose country of origin is Ethiopia, are excluded from the aggregate FDI data of EIC. Although, from total new FDI permits of EIC;

about 4,999 new FDI permits were given to foreign investors; Joint with domestic and Ethiopian by Birth within the scope period of ten years which accounted startup capital of Birr 572.78billion.

Based on the foreign direct investment definition; 4,999 new FDI entry permits are given to foreigners, Diasporas and jointly investors (foreigners and domestics) with capital mobilization of Br 572.78billion. Therefore, 4,999 new FDI entry permits' amount are population of the study.

3.3.2 Sample size

To determine Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia. As per the Ethiopian Investment Commission data; population of the study already determined; total populations are 4,999 new FDI permits with total investment amount of Birr572.78billion. For this study, all new FDI entries investment amount on annual basis are taken as a sample, to know the progress and performance of all FDI entered firms in the specific period in aggregate and summarized way. This study sample is limited to new FDI entry performance assessment. Data coverage is started from July 01, 2011 to June 30, 2020, Ten years' data; data collection period is based on the Ethiopian fiscal year or budget year forms.

3.4 Methods of Data Collection

According to Ranjit (2011), there are two major approaches to gathering information about a situation, person, problem or phenomenon. When you undertake a research study, in most situations, you need to collect the required information; however, sometimes the information required is already available and need only be extracted. Based upon these broad approaches to information gathering, data can be categorized as primary and secondary data. But in this study the researcher is used only secondary data. The secondary data is collected from EIC. Furthermore, various sources like published books, articles in journals, articles on the internet, related other researches, brochures and other related sources is used as source of information.

3.5 Method of data analysis

Descriptive statistics such as mean and standard deviations of the respondents' scores on all the dimensions were assessed in order to determine the extent of new FDI entry performance status new entrant Foreign direct investments. Finally, detail interpretation and discussion of the results of the statistical analysis was provided.

3.6 Descriptive statistics

The study is used descriptive statistics. Calculate mean, maximum, minimum and standard as deviation of variables over the sampled period in the sample to enables the researcher to assess the general trends of data through converting the raw data into more meaningful form well as percentile analysis are used.

3.7 Research Reliability and Validity

Since the study is used secondary data, all the data used in this study is collected from a credible institution in Ethiopia, namely Ethiopian Investment Commission (EIC) which is responsible for the follow up of new FDI permits and their entry performances in Ethiopia. Furthermore; EIC collects data on a regular basis and at different time intervals for the purposes of effective FDI management. In light of the above, it can be concluded that this study is conducted with reliable and valid data.

3.8 Variables and Measurement

As far as, the study dimensions are concerned, this particular study has involved four key performance indicators to measure the main construct of new FDI entry performance and these key performance indicators are new FDI entries under Pre-implementation phase; implementation phase; operation phase and cancelled new FDI permits. The study tried to review various literatures to get variable measurements conducted in other earlier empirical literatures for variable measurement foundation but unfortunately, there is no this study specific variable measurement or related studies variable measurements. Therefore; to measure the variables of this study; the study created own variable measurements to easily indicate results of the variables.

Table 3.1: Variable Measurements

Variables	Proxy	Measurements
New FDI entries	FDIE	Annual New FDI entries in amount of Birr
New FDI entries under Pre-implementation Stage	FDIPIS	Annual FDI entries under Pre-implementation Stage in amount of Birr
New FDI entries under implementation Stage	FDIIS	Annual New FDI entries under implementation Stage in amount of Birr
New FDI entries under operational Stage	FDIOS	Annual New FDI entries under operational Stage in amount of Birr
New FDI entries permits cancelled	FDIC	Annual New FDI entries permits cancelled in amount of Birr

(Source: own computation, 2022)

CHAPTER FOUR

4. RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

4.1 Introduction

In this chapter, the data analysis, presentation and discussion mainly focused on finding the answers to the research questions. Based on the statistical results analysis has focused on FDI entry performances. To assess new FDI entries performances and their developmental stages during the establishments. Therefore, this approach is suitable in analyzing the phase growths.

4.1.1 Descriptive statistics

For this study, ten years' data are used as an observation. The study used annual data for the five variables including dependent variable for the period fall between 2011 and 2020. The data presented in the below table is in two digit decimals form, after the data collected divided by one billion each to make easy the interpretations, level data of new FDI entries were collected in billions of Ethiopian Birrs.

Table 4.1: Descriptive statistics (Amount in Billions of Birr)

Variable	Obs	Mean	Std. Dev.	Min	Max
FDIE	10	57.276	30.2725	26.47	117.36
FDIPIS	10	27.119	28.93044	3.4	102.45
FDIIS	10	7.003	5.850461	1.36	17.12
FDIOS	10	8.551	4.172232	1.65	15.99
FDIC	10	12.403	15.57363	.06	52.12

(Source: Own computation ;2022)

Table 4.1 portrayed descriptive statistics of new FDI entry firms' performances which includes mean distribution, standard deviations, minimum and maximum value of the study variables with in the study period of 2011 to 2020, ten years new FDI inflow trend. The study was employed five variables such one dependent variable and four independent variables. The study variables are new FDI entries performance for firms under establishments (FDIE), which is dependent

variable and New FDI entries under Pre-Implementation Stage (FDIPIS), New FDI entries under implementation Stage (FDIIS), New FDI entries under operational Stage (FDIOS) and New FDI entries permits cancelled FDIC are independent variables. Accordingly, the mean value, standard deviations, minimum and maximum value of the dependent variables are Birr 57.276billion, 30.2725billion, 26.47billion and 117.36billion respectively. The mean values, standard deviations, minimum and maximum values of independent variables are described as follow. The mean value of New FDI entries is Birr 57.28billion and standard deviation is Birr 30.27billion while the minimum value of FDIPIS is Birr 26.47billion and maximum value of Birr 117.36billion respectively. The mean value of New FDI entries under Pre-Implementation Stage (FDIPIS) is Birr 27.12billion and standard deviation is Birr 28.93billion while the minimum value of FDIPIS is Birr 3.4billion and maximum value of Birr 102.45billion. The mean value of New FDI entries under implementation Stage (FDIIS) is Birr 7.00billions with standard deviations of Birr 5.85billion. The minimum value of FDIIS is Birr 1.36billion while maximum value of FDIIS is Birr 17.12billion. The mean value of New FDI entries under operational Stage (FDIOS) is Birr 8.55billion and the standard deviation of FDIOS is Birr 4.17billion while the minimum and maximum value of FDIOS are 1.65billion and 15.99bilion respectively. And finally, the mean value of New FDI entries permits cancelled FDIC is birr 12.40billion and the standard deviations of New FDI entries permits cancelled FDIC is Birr 15.57billion while the minimum value of FDIC is Birr 60million and maximum value of FDIC is Br 52.12billion within the determined study period. From the employed independent variables; highest mean registered by Foreign direct investment entries under pre-implementation stage by Birr 27.12billion and followed by Foreign direct investment entry permits cancelled Birr 12.4billion and highest standard deviation was registered by Foreign direct investment entries under pre-implementation stage by Birr 30.27billion and followed by Foreign direct investment entry permits cancelled Birr 15.56billion respectively.

4.1.2 Discussion on findings

This section discusses in detail the investigation for each independent variable and their importance in influencing new FDI entry performances at early stage of firm's establishments.

FDI under pre-implementation stage

As per the descriptive statistic table; FDI under pre-implementation stage has a yearly mean average of Birr 27.12billlion with Birr 28.93billin standard deviation. Within the research scope, foreign direct investment entries under pre-implementation stages have minimum and maximum yearly FDI amount under pre-implementation stage of Birr 3.4billion and 102.45billion respectively. The gap between standard deviation and mean average is narrow but the difference between minimum and maximum ranges so significant; this indicates that yearly incoming of FDI entry stage growth to FDIPIS lacks consistence.

FDI under implementation stage

As per the descriptive statistic table; FDI under implementation stage has a yearly mean average of Birr 7billlion with Birr 5.85billin standard deviation. Within the research scope, foreign direct investment entries under implementation stages have minimum and maximum yearly FDI amount under implementation stage of Birr 1.36billion and 17.12billion respectively. According to this data, the difference between mean and standard deviation is moderate but the difference between period lowest and maximum so significant, this indicates that new FDI entries joining FDI under implementation stage are unstable and highly fluctuating due to different reasons.

FDI under operational stage

As per the descriptive statistic table; FDI underoperational stage has a yearly mean average of Birr 8.55billlion with Birr 4.17billin standard deviation. Within the research scope, foreign direct investment entries under operational stages have minimum and maximum yearly FDI amount under operational stage of Birr 1.65billion and 16billion respectively. According to this data, the difference between mean and standard deviation is moderate but the difference between period lowest and maximum ranges are so significant, this indicates that new FDI entries joining FDI under operational stage are unstable and highly fluctuating due to different reasons. FDIOS stage is the stage where the new FDI entered firms reach operation or production stage. This FDIOS

stage is the stage where new FDI entered firms fulfils their dream to become operational and productive to retrieve financial rewards or returns from their investment and also this is the government's long waiting stage, as this stage brings some reliefs to domestic market such productions substitute imports items; increment of employment rates; reduction of foreign hard currencies outflow, etc.

FDI permits cancelled

As per the descriptive statistic table; FDI permit cancelled has a yearly mean average of Birr 12.4billlion with Birr 15.57billin standard deviation. Within the research scope, foreign direct investment entries permit cancelled have minimum and maximum yearly FDI amount permit cancelled of Birr 0.06billion and 52.12billion respectively. According to this data, the difference between mean and standard deviation is moderate but the difference between period lowest and maximum ranges are so significant, this indicates that new FDI entries permits cancellation are so significant which indicates unproductivity of the FDI entrant firms.

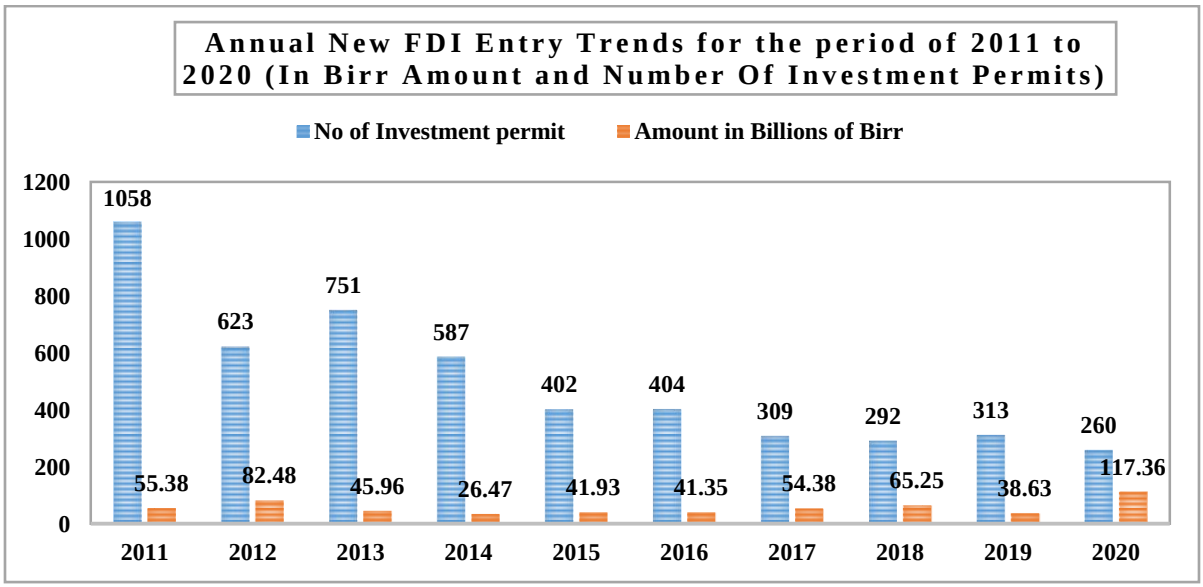
As per the data collected from EIC; from total New DFI permit cancelation; Pre-implementation stage investment status accounted 91.5% (Birr 113.5Billion) of total FDI canceled amounts and accounted about 93.1% (1,371 FDI permits are cancelled over period of ten years); this indicates that most of the new FDIs are leaving the country early without achieving for what they come and as well as country is not benefiting from these FDIs permits. FDIC is the when the new FDI entrant firms terminate or cancel their investment permit due to different reasons. Investment permit cancellation may indicate unconducive business environments due to political instability, government policy, finance constraints and others. The cancellation or termination of new FDI permits may be related to factors affecting FDI which are elaborated under literature review part of this study. Brada et al. (2003); Campos and Nugent (2003); Lucas (1990); Nicholas, Mohamad & Roy (2020) and Getinet and Hirut (2006) indicated that FDI shortfalls or decrements are mainly related to political instabilities in the host country.

4.2 Summary Descriptive of data collected from EIC

4.2.1 Annual New FDI entry trend

As per the data collected from the Ethiopian Investment Commission (EIC); within the research scope period from 2011 to 2020, EIC mobilized aggregate capital of Birr 572.78billion with 4,999 Foreign Direct investment permits numbers. As a country; Ethiopia has registered highest annual new FDI mobilization in the year of 2020 which hiked to 117.36billion with 260 investment permit numbers and lowest new FDI mobilized in the year of 2014 which was Birr 26.47billion with 587 investment permit numbers. Highest FDI permits are given in 2011, about 1058 New FDI permit per year and lowest new FDI permit is given in the year of 2020, about 260 new FDI permits. As we can see, from the below chart new FDI trends exhibited fluctuating trends, both in Birr amounts and number of FDI permit givens. Mostly the new FDI entries are lowered in the period between 2013 to 2019, seemingly the cause for lowered new FDI entry performances related to political instability and unconducive business environment.

Figure 4.1: New FDI trend for the period between 2011-2020

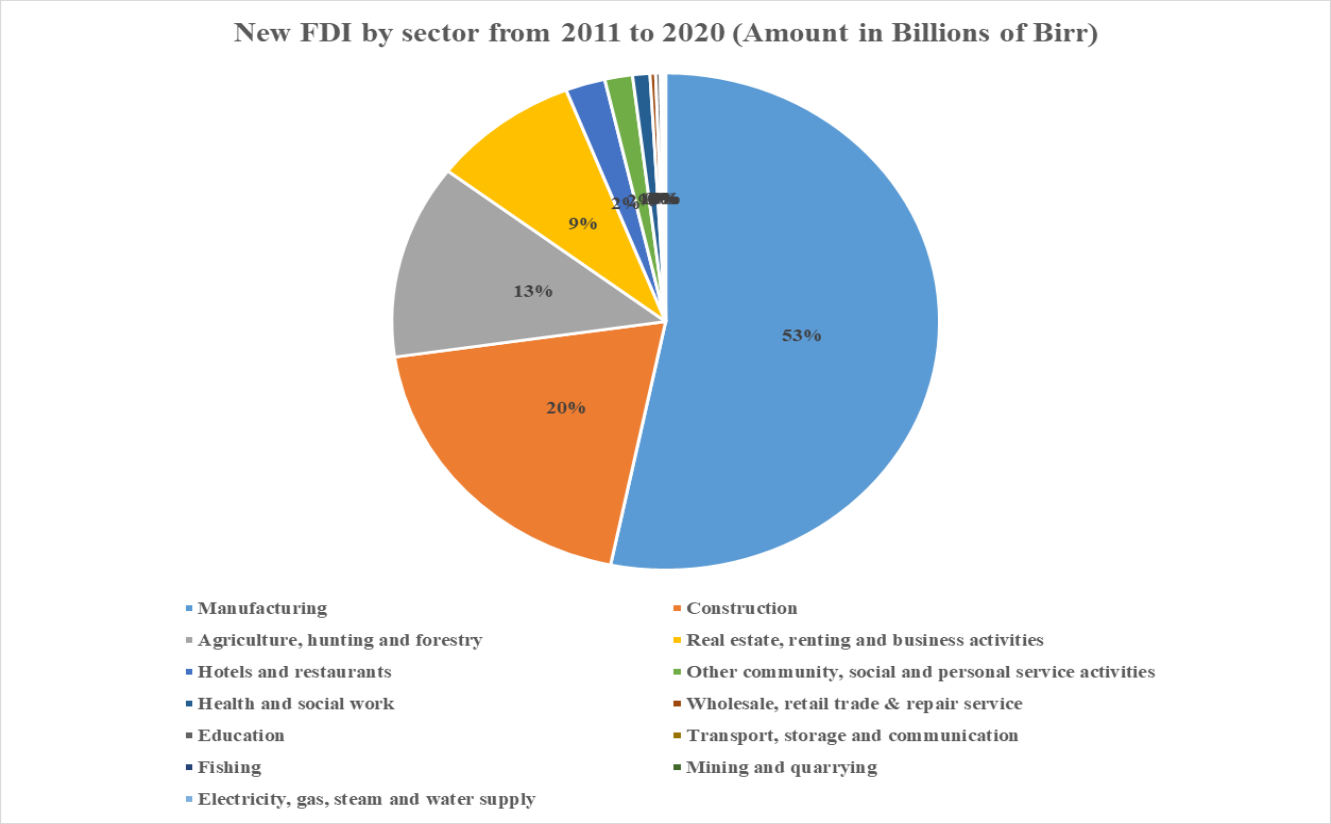


(Source: own computation, 2022)

4.2.2 New FDI entry by investment sector

Within the research scope from 2011 to 2020; new FDI entrants have chosen the areas of investment but the focus sectors for foreign direct investment entry was manufacturing which accounts 53% (Birr 305 Billion) of total new FDI inflow for the period between 2011 to 2020 and followed by construction 20% (Birr 111.67 Billion), Agriculture, hunting and forestry 13% (Birr 72.44 Billion) and Real estate and renting business activities 9% (Birr 13.42Billion) respectively. Like in amount of Birr, manufacturing contributed 51% (2,548 FDI entry permit numbers) of total new FDI permits of ten years and followed by Agriculture, hunting and forestry 13.5% (675 FDI entry permit numbers), Real estate and renting business activities 13.2% (662 FDI entry permit numbers) and construction 7.3% (367 FDI entry permit numbers) respectively.

Figure 4.2: New FDI by sector

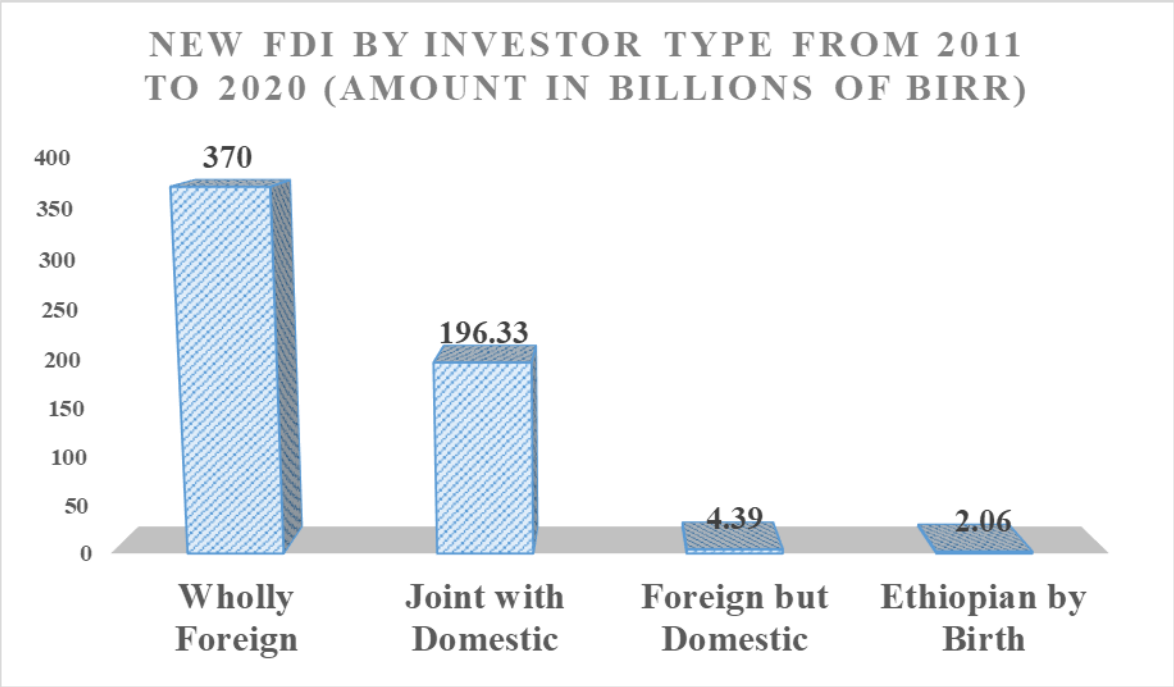


(Source: own computation,2022)

4.2.3 New FDI entry by investor types

For the reporting period of the research scope; during the period between 2011 to 2020; Ethiopian Investment Commission mobilized total new FDI amounted Birr 572.78Billion via four types of investor ownerships such as Wholly Foreign, Joint with Domestics, Foreign but domestic and Ethiopian by Birth. Among the all ownership share; wholly foreign shares take the lion share, as it lonely accounted 64.6% (Birr 370Billion) of total new FDI of all types of investors between 2011 to 2020 and followed by Joint with domestic 34.3% (Birr 196.33 Billion), Foreign but Domestics 0.8% (Birr 4.4Billion) and Ethiopian by birth 0.4% (Birr 2.1Billion) respectively. Like new FDI entries in Amounts, Wholly Foreign accounts 70.7% (3,534FDI entry permit numbers) of total new FDI permit numbers (4,999 permits) within the above mentioned period and followed by Joint with Domestic 24.6% (1,231FDI entry permit numbers), Foreign but Domestic 3.9% (194 FDI entry permit numbers) and Ethiopian by birth 0.8% (40 FDI entry permit numbers) respectively.

Figure 4.3: New FDI inflow by Type of investors



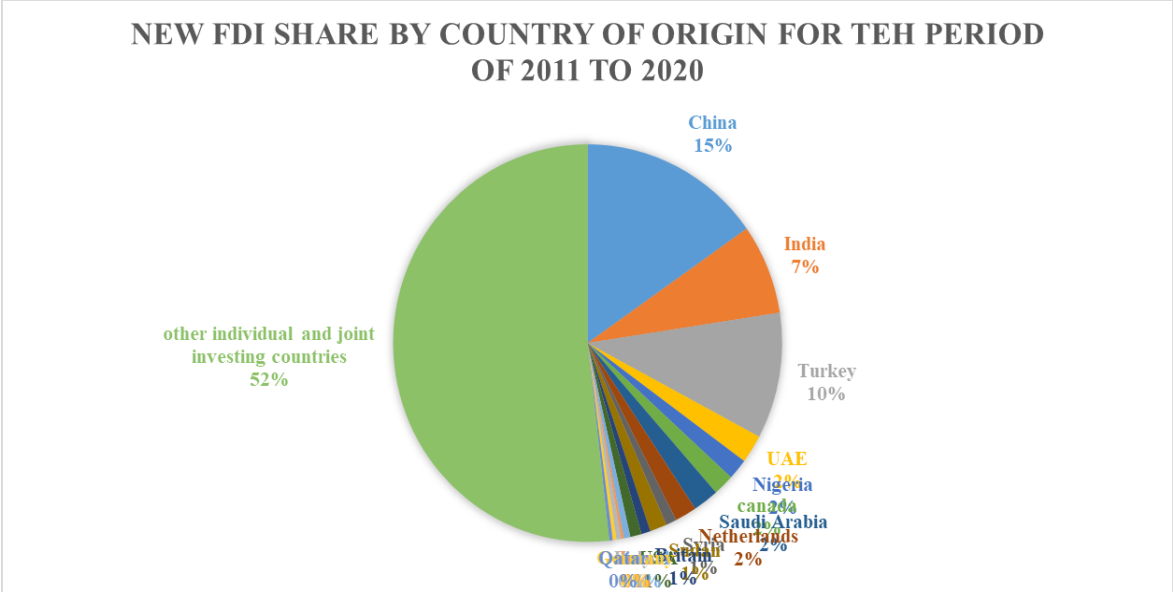
(Source: own computation,2022)

4.2.4 New FDI entry by country of Origin

Based on the data collected from EIC; total new FDI permits for the period between 2011 and 2020 were 4,999 new FDI permits while these permits are awarded to different countries across the world, duplication filtered data indicating that the new FDI source countries are 493 in numbers, this increased number of countries are related to some countries citizens are jointly investing in Ethiopia which is subjected to duplication effect.

In terms of country of origin for new FDI firms, China takes the largest share in amount of new FDI and numbers of FDI permit, accounted Birr 87.32billion (15.2% of total new FDI of the ten years) and accounted 1,199 FDI permits (24.4% of total new FDI permits given in the ten years) and followed by Turkey, accounted Birr 58.76Billion (10.3% of total new FDI of the ten years) and accounted 162 FDI permits (3.2% of total new FDI permits given in the ten years), India accounted Birr 41.89Billion (7.3% of total new FDI of the ten years) and accounted 336 FDI permits (6.7% of total new FDI permits given in the ten years); UAE, accounted Birr 13.23Billion (2.3% of total new FDI of the ten years) and accounted 41 FDI permits (0.8% of total new FDI permits given in the ten years) and Nigeria, accounted Birr 9.7Billion (1.7% of total new FDI of the ten years) and accounted 11 FDI permits (0.2% of total new FDI permits given in the ten years) respectively.

Figure 4.4: New FDI by Country of Origin

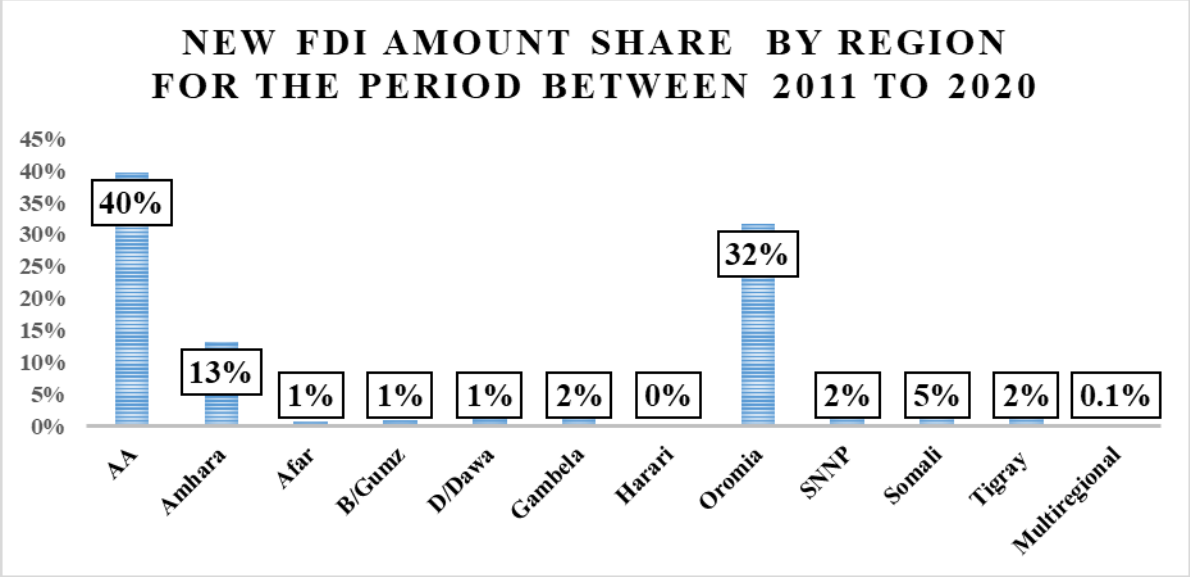


(Source: own computation,2022)

4.2.5 New FDI entry by region of investment

The distribution of new FDI entry firms by regions, as per the collected data from EIC, new FDI entry has favored Addis Ababa (AA), capital city of the country, mobilized Birr 227.61Billion (40% of total new FDI inflows of the ten years) and attracted about 2,418 new FDI permits (48.4% of total new FDI permits given in the ten years) and followed by Oromia Region, mobilized Birr 181.88Billion (32% of total new FDI inflows of the ten years) and attracted about 1752 new FDI permits (35% of total new FDI permits given in the ten years); Amhara Region, mobilized Birr 75.61Billion (13.2% of total new FDI inflows of the ten years) and attracted about 325 new FDI permits (6.5% of total new FDI permits given in the ten years) and Somali Region, mobilized Birr 30.88Billion (5.4% of total new FDI inflows of the ten years) and attracted about 35 new FDI permits (0.7% of total new FDI permits given in the ten years) respectively.

Figure 4.5: New FDI by Region



(Source: own computation,2022)

4.2.6 New FDI entry by investment status

New FDI entries is not once become operational, new FDI entry firms before becoming operational they shall go some stages such as pre-implementation stage, Implementation stage, operational stage and cancellation stages. Progress change of investment status is one of key performance indicators of new entrant FDI. From total mobilized new FDI amounts of Birr

572.78Billion and 4,999 total new FDI permit given within the period of 2011 to 2020. These data have investment status which is distributed on the four stages of new FDI entrants. The status of new FDI are depicted below step by step.

4.2.6.1 Pre-implementation stage

This stage is beginning stage for new FDI entering firms where they start investment processing. This stage is the stationed stage where all new FDI entering firms first arrive to begin long term move to achieve their dream of becoming operational or producing products. Accordingly, due to the nature of stage which means the stationed and arrival stage, majority of the new FDI firms stuck at this stage which indicates weak movement to the next stages, this stage accounts 69.3% (Birr 396.7Billion) of total new FDI inflow mobilized of Birr 572.78Billion which is registered between 2011 to 2020 and this stage accounts 52.1% (2,605 FDI entry permit numbers) of total new FDI firms permit given between 2011 to 2020 respectively.

4.2.6.2 Implementation stage

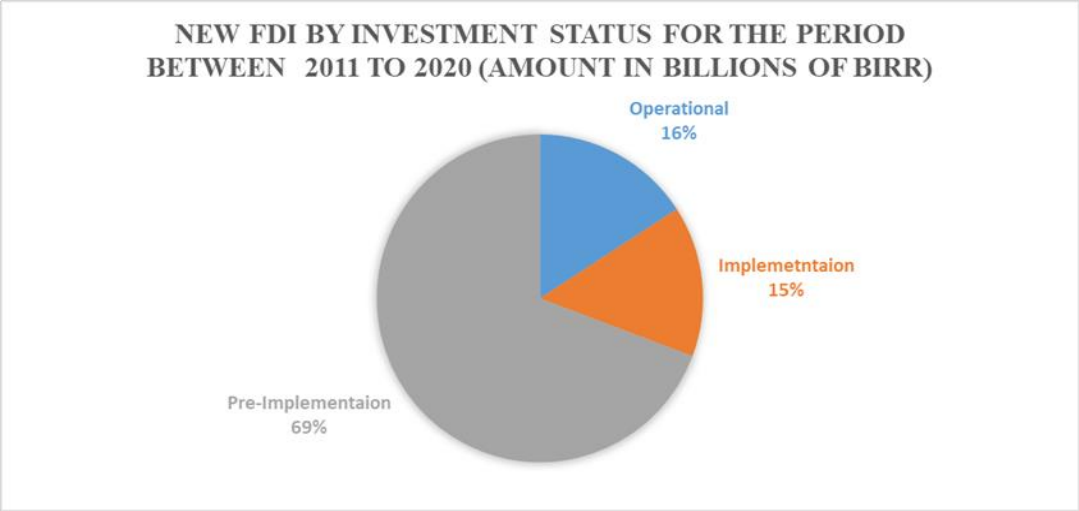
This stage is second stage of investment status, when the firms under first stage finished their documentation and other related requirements, they move to this stage to start their implementation process in this implementation stage. As seen in the first stage of investment status; the movement from the first stage of investment status to this stage is weak. The performance of initial stage strongly affects the second stage. Consequently, this investment stage accounted 85.36Billion (15% of total new FDI inflow of Birr 572.78 Billion) of total new FDI inflows of the scope period and in this stage, from total new FDI permits, 735 (14.7% of total new FDI permits of 4,999) FDI permits are at implementation stage from total new FDI permits given between 2011 to 2020. Overall, the movement from initial stage to this stage seemingly so weak due to different reasons.

4.2.6.3 Operational stage

At this stage, where the FDI entered firms starts operation or producing products or rendering services to domestic markets. This stage is third and final stage of implementation plan. Operational stage where the FDI firms expect to generate revenues via sales of their new products offered to the market. This stage is the derivatives of first two stages, as seen in the initial and second stage of investment status, the firms' movements to the next stage is very

weak, may be due to unconducive business environments, restrictive government policies, corruption, boring and lengthy bureaucracy, etc. Accordingly, operational stage of investment status accounted Birr90.8Billion (16% of total new FDI inflow of Birr 572.78 Billion) of total new FDI inflows of the scope period but in terms of FDI firms reached operation stage, number of firms become operation exhibited good progress as they accounted 33.2% of total new FDI permits (1,659 new FDI permits are became operational) FDI permits reached implementation stage from total new FDI permits given between 2011 to 2020.

Figure 4.6: New FDI by Investment status



(Source: own computation,2022)

4.2.6.4 FDI Permits Cancellation stage

Cancelation stage is the stage where New FDI firms cancel their investment license or terminate investment contracts. Cancelled or terminated investment status can be registered at any investment status stage but the magnitude of termination is so different at each investment status stages. Within the research scope period, as per the data collected from EIC, about 1,473 FDI investment permits have been cancelled and terminated over the ten years of scope which accounts 29.5% of total FDI permits of the period of 4,999 FDI permits and these cancelled FDI permits accounted FDI inflow of Birr 124.03Billion which accounts 21.7% of total new FDI inflow of the period of Birr 572.48Billion respectively.

Hereafter, active FDI permits are 70.5% of total FDI permit from total new FDI permits of the ten years and 78.3% of total new FDI inflow are active and progressing to next stages

4.2.6.4.1 Cancelled FDI Permits by sector

As per the data collected from EIC; the highest New FDI permit cancellation by sector was exhibited on manufacturing sector where about 542 permit are cancelled and terminated during the period between 2011 to 2020, which accounts 37% of total FDI permit cancellation and in amount about Birr 47.16milion was canceled during ten years' period which accounts 38% of amount cancelled and also manufacturing sector followed by Agriculture, hunting and forestry sector which FDI permit canceled for 385 firms (accounts 26.1% of total new FDI licenses terminated) and in amount, it accounts 30% of cancelled amounts (Birr 37.1Billion) and construction sector has FDI permit cancellation number of 71 in numbers (4.8% of total cancelled FDI permit over the ten years) and has Birr 26.23Billion (21.1% of total cancelled FDI permit amounts over the ten years) respectively.

4.2.6.4.2 Cancelled FDI Permits by ownership

New FDI permit cancelation by investor types; highest FDI permit cancellation went towards Wholly Foreign in amounts as well as in numbers, in amounts Birr 95.6Billion or 77.1% of total cancelled new FDI permit amounts and in numbers, about 1,145 permit numbers or 77.7% new FDI permits are cancelled within the scope period and followed by Joint with domestic, which has 249 firms permit or 16.9% permit cancellation track and accounted Birr 26.93Billion or 21.7% of canceled FDI permits respectively.

4.2.6.4.3 Cancelled FDI Permits by investment status

Most of the FDI permits are canceled at pre-implementation phase; where Pre-implementation stage investment status accounted 91.5% (Birr 113.5Billion) of total FDI canceled amounts and accounted about 93.1% (1,371 FDI permits are cancelled over period of ten years) of Firm FDI permits cancelled and followed by Implementation stage which accounts 8.3% (Birr10.32Billion) of total FDI permits cancelled amount and accounts 6% (89 FDI permits are canceled at this stage over scope period) of FDI firms cancelled permits and about 0.2% (Birr230million) of total FDI firms permit are cancelled at the stage operational and also at operational stage, about 13 (0.9% of total firm permits cancelled) FDI firms permit were canceled respectively.

4.2.6.4.4 Cancelled FDI Permits by region

According to the EIC data; highest FDI permit cancellation by region was registered at Oromia regions which accounted 39.4% (Birr 48.88Billion) of total FDI permits amounts cancelled and accounted 36.7% (541 FDI permits are cancelled over the ten years' scope) of total cancelled FDI firms and followed by Addis Ababa city which accounts 35.7% (Birr 44.31Billion permit amount) and accounts 46.6% (687 FDI permits cancelled); Amhara Region which accounts 10.2% (Birr 12.66Billion permit amount) and accounts 4.6% (70 FDI permits cancelled) and Gambela Region which accounts 8.1% (Birr 10.04Billion permit amount) and accounts 1.6% (24 FDI permits cancelled) respectively.

4.2.6.4.5 Cancelled FDI Permits by country of origin

As per the data collected from EIC; highest FDI permit cancellation by country of origin was registered by Turkey which accounted 32.5% (Birr 40.32Billion) of total FDI permits amounts cancelled but only accounted 3.8% (56 FDI permits are cancelled over the ten years' scope) of total cancelled FDI firms and followed by India which accounts 12.9% (Birr 16Billion permit amount) and accounts 8.3% (122 FDI permits cancelled); China which accounts 6.3% (Birr 7.84Billion permit amount) and accounts 15.2% (224 FDI permits cancelled) respectively.

4.2.6.4.6 Cancelled FDI Permits by average age of cancellation

As per the data of EIC; almost all of the FDI permit cancellation was below five years. Some of cancelled FDI permits has less than a year age, 4.5% (5.6Billion of cancelled FDI permit amounts) of total FDI permits cancelled amount and 6.5% (96 FDI permits cancelled) of total FDI permits are canceled before staying a year in Ethiopia. 27% and 26.6% of FDI permits amounts and permit numbers are cancelled within the early stages of one to three years but most of the FDI permits are cancelled between four to five years; accounts 67% of new FDI amounts and 58.5% of new FDI permit numbers. In this case, the data indicates that most of the FDI firms leave Ethiopia at their early stage of investment statuses.

CHAPTER FIVE

5. RESEARCH CONCLUSION AND RECOMMENDATION FOR POLICY IMPLICATIONS AND FUTURE RESEARCH

5.1 Introduction

This section summarizes the conclusion and recommendations part of the study. The collected secondary data was analyzed through using statistical tools such as descriptive statistics. These statistical tools are employed to assess foreign direct investment entry performances at early stage of firm establishments. The results obtained by those techniques were presented and analyzed in the chapter four of this study. Thus, based on results of statistical tools, this chapter mainly concerned with conclusion and recommendation of the study.

5.2 Conclusion

The main purpose of this study is to answer research questions of Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia by using the statistical tools and assessments. The study has used secondary data which is collected from Ethiopian investment commission database and study used ten years' data for the period from 2011 to 2020. This study has employed five variables including dependent variable such as new foreign direct investment entry performance (dependent), foreign direct investments under pre-implementation stage, foreign direct investments under implementation stage, foreign direct investments under operational stage and foreign direct investment permit canceled.

The following conclusion have been drawn on the basis of findings extracted from data analysis.

Foreign direct investment under pre-implementation stage (FDIPIS): The gap between standard deviation and mean average is narrow but the difference between minimum and maximum ranges so significant; this indicates that yearly incoming of FDI entry stage growth to FDIPIS lacks consistence

Foreign direct investment under implementation stage (FDIIS): the difference between period lowest and maximum so significant, this indicates that new FDI entries joining FDI under implementation stage are unstable and highly fluctuating due to different reasons.

Foreign Direct Investment under operation stage (FDIOS): the difference between mean and standard deviation is moderate but the difference between period lowest and maximum ranges are so significant, this indicates that new FDI entries joining FDI under operational stage are unstable and highly fluctuating due to different reasons.

Foreign Direct investment permits cancelled or terminated (FDIC): the difference between period lowest and maximum ranges are so significant in some years, this indicates that new FDI entries permits cancellation are so significant which indicates unproductivity of the FDI entrant firms. As per the data collected from EIC; from total New DFI permit cancelation; Pre-implementation stage investment status accounted 91.5% (Birr 113.5Billion) of total FDI canceled amounts and accounted about 93.1% (1,371 FDI permits are cancelled over period of ten years); this indicates that most of the new FDIs are leaving the country early without achieving for what they come and as well as country is not benefiting from these FDIs permits. FDIC is the when the new FDI entrant firms terminate or cancel their investment permit due to different reasons. Investment permit cancellation may indicate unconducive business environments due to political instability, government policy, finance constraints and others.

From the employed independent variables; highest mean registered by Foreign direct investment entries under pre-implementation stage by Birr 27.12billion and followed by Foreign direct investment entry permits cancelled Birr 12.4billion and highest standard deviation was registered by Foreign direct investment entries under pre-implementation stage by Birr 30.27billion and followed by Foreign direct investment entry permits cancelled Birr 15.56billion respectively.

5.3 Policy Recommendations

Foreign direct investment is one of the key factors for economic growth and developments. Therefore, more importantly government of Ethiopia shall know the factors affecting new FDI entry performances to take remedial actions. Strong follow ups shall be in place for every new FDI firms and all firms under different investment statuses to be operational and productive. Therefore; better performances of new FDI entering firms can contribute for reduction of unemployment rate, encourage import substitution, increase productivity, increase knowledge transfers and technology advancements. Hence, Ethiopian Government shall work on relaxing

restrictive policy, shorten response periods any requests of firms under establishment, etc. to benefit from FDI entries.

5.4 Future Research Recommendation

This research was conducted in attempt to reveal Assessment of Foreign Direct Investment Entry Performances at Early Stages of Firm Establishments in Ethiopia. This study creates opportunities for further research extension on the subject. In this regard, future researchers can consider extending this research in various ways as outlined below.

- Future researchers may also focus on investigating factors affecting new FDI entry performances during the establishment period.
- By considering this study, potential researchers shall further investigate new foreign direct investment entry performances at early stage of firms' establishments by including additional variables.
- The Effects of Foreign Direct Investment Entry Mode on Firms performance in case of Ethiopia
- Future researchers may consider early FDI cancellation relation and impact on the overall FDI performance

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